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CURRENT HISTORY

APRIL 1932

Capitalism Survives

By THOMAS NIXON CARVER
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THIS is a good time for revolutionists. The discontent engendered by hard times has created a ready market for their wares as an epidemic does for nostrums. We need not look so far as Russia or even Western Europe for evidence that the bear market for commodities is accompanied by a bull market for revolutionary doctrines. Latin America has had seven revolutions in two years. In our own country every apostle of change, both radical and reactionary, is feverishly trying to make hay before the sun shines. When good times return there will be a slump in the market for subversive ideas.

But good times are never going to return until some radical change is made! is the cry of all revolutionists. When we had good times their cry was, good times cannot last! They get more listeners now because there is more discontent than there was from 1922 to 1929. Everybody who wants a change, either to line his own pocketbook, to get elected to office, or to bring about a social revolution, is now setting his sails to catch every wind of discontent. It is not a time for smug satisfaction or indifference on the part of those who are entrenched behind time-honored institutions. It is a time of testing, not only for our political and business policies, but for our most fundamental institutions, and even for our whole economic system. Nothing is immune to attack. Religion, the family, property, government, and even education as it is now conceived, are all under criticism and on the defensive.

The most fundamentally upsetting of all these movements, though not the most virulent, is that which goes under the name of communism. It is a system which would replace private property with common property. Now communism is of two kinds and we should be careful not to get them mixed, for that can only result in confusion. One kind is voluntary and the other is coercive. The voluntary kind depends upon conversion to the ideals of communism by persuasion. No one is to be coerced into joining, or into remaining in the system if he wants

to get out. The coercive kind does not wait for the slow processes of persuasion but proceeds by the way of a dictatorship of the proletariat, that is, of the organized and disciplined part of the proletariat. Those who do not believe in it are to be brought in and kept in by physical force.

There is nothing hostile to communism of the voluntary sort in this or any other reasonably free country. We have had a good many communistic societies already, and there is nothing in our laws and institutions to prevent the number from increasing. Those who care to do so and can get together may organize themselves on a voluntary basis and proceed to practice communism. The only limit to their number is that of their persuasive power. If they try to use coercion to bring people in, or to hold those who have joined, they would, of course, get into trouble with our laws. The only limit to the duration of these communistic societies is the willingness of their members to remain Communists. When they cease to be Communists, then they change, in a democratic way, to capitalism or something else. The Oneida Community of New York long ago changed to a joint-stock company, or corporation, and is now, technically, a capitalistic organization, though retaining much of the spirit of voluntary communism. It is reported that the Amana Society of Iowa has recently made the same change. Most other communistic groups have merely dissolved. In fact, voluntary communism has more in common with what is generally known as capitalism than it has with coercive communism. That is to say, the distinction between voluntarism and coercion is wider than the distinction between individual and group ownership of wealth.

This distinction between voluntary and coercive types of industrial organization is the most important that can possibly be drawn. No other distinction cuts quite so deeply or separates industrial systems by such a wide gap. Herbert Spencer long ago recognized this fact when he divided societies into two main types—the militant and the industrial. The militant type of organization is based on authority and obedience; the industrial type on contract, which is voluntary agreement among free citizens. The two most striking chapters in Spencer's great work on synthetic philosophy are those in which he contrasts these two types of society. Spencer thought, however, that the militant type, while necessary for the purposes of war, was unsuited to industry. Coercive communism is based on the opposite opinion. The Russians are putting it to an empirical test.

Fundamentally, there are only two economic systems possible, though there may be various mixtures of the two. These two systems are based on two ways of getting things done. One way is to offer a reward for what you want done; the other is to command some one to do it and punish him if he does not. Accordingly, one economic system is carried on by contract and the other by authority.

Of course a great deal of useful work is done for the fun of it. No one needs an economist to remind him of that. Work which is done for fun requires neither a reward nor a command. Doubtless it would be a nice world if every one could do only what was fun for him and, at the same time, get everything he cared for. Some like to go fishing, others to raise flowers and vegetables, others to tend poultry, others to make furniture, and so on. Each of these would doubtless be willing to give away his surplus, though he might have preferences as to who should receive his gifts. If, by this mutual giving of gifts, every want could be supplied, we should have a veritable Eden. But the serpent would again enter as soon as wants developed which could not be satisfied with labor that was fun. If our wants were very simple, if we did not multi-

ply too rapidly, and if we were so energetic as to love work, such an Eden might exist, at least in imagination.

Unfortunately (or fortunately) we do not live in a world of that kind. In our world, if there is to be produced even a small fraction of the things we want, a great deal of work which is no fun must be done. Some other motive must be found to get this kind of work done. There are only two effective motives: the hope for something pleasant and the fear of something unpleasant. The only two economic systems are based on these two systems of motivation.

Even a system of authority cannot be successful unless a great many other things go with it. The psychology of obedience must be carefully built up. Even an army requires "morale," the willingness to accept authority as inevitable, and to obey without question. Over this must be stern and relentless discipline, firing squads and other paraphernalia for maintaining discipline. They who think that our industrial system needs more overhead planning should realize what they are getting into. National industrial plans, without authority behind them, would be scraps of paper. Authority is ineffective without obedience, and the spirit of obedience has to be built up by extensive propagandist campaigns for creating morale. Some of us can remember how morale was created during the World War.

It is an evidence of the hard sense of the leaders of the Russian experiment that they do not blink at these conditions. We need not be too cocksure that their experiment will fail. They have at least adopted the one and only plan on which it could possibly succeed. An army, after the fighting is over, might turn to the production of its rations and other supplies and might succeed on one condition. If its commanders were sagacious planners and stern disciplinarians; if its workers were obedient and could be drilled to sing when they go to work as they did when they went to battle; if malcontents could be summarily shot, there is no physical reason why such an army should fail. So long as the Russians can maintain their "morale" by active and skillful propaganda, by firing squads and other military devices, they may produce their own rations and something more.

We need not waste time wondering if our system might not work more smoothly if we could deal as summarily as do the Bolsheviki with those who *try to make trouble*. They give their system a chance to show what it can do by disposing of those who try to block it, to overthrow it or even to talk about overthrowing it. Such speculation is futile, however, because our system would cease to be the same system when it became coercive to that degree. Nevertheless, no one can deny that our system is handicapped by the fact that any one is free to strike against it, to foment discontent with it or even to advocate its overthrow. It is probably too much to expect that these gentlemen who are so vociferously denouncing our system will appreciate their privileges. If they were to try the same tactics under coercive communism they would soon face firing squads. It would be like striking, disobeying or fomenting insurrection in an army.

The Soviet leaders realize perfectly well that their economic system is fundamentally different from ours and that it requires an entirely different morale. They are going about the creating of that different morale in a relentless and businesslike way, and they propose to make their people like it. If the people can really be made to like it, it will succeed after a fashion. Our people might have difficulty in learning to like it.

In opposition to the view here expressed, those Communists who are professed disciples of Karl Marx have

held that capitalism is only a transitory introduction to communism. Capitalism, according to this theory, results in greater and greater concentration of wealth and a greater and greater separation of workers from the ownership of wealth which they produce. When this process has gone far enough, and all the wealth has been concentrated in few enough hands, the dispossessed masses will merely take over the control of the system and communism will be established. It might come so peaceably in a democratic country that many people would scarcely realize that the revolution had been accomplished. They would soon realize, however, that the régime of contract had come to an end and the régime of authority and obedience had begun. Of course, in an undemocratic country, the revolution could succeed only by a violent overthrow of the government.

If it were true, as all Marxians insist, that the inevitable tendency of capitalism is to concentrate wealth in fewer and fewer hands and to force the masses into greater and greater poverty, their predictions as to the inevitableness of communism probably would be correct. Not only must capitalism give way to something else but it ought to do so at once. A system which produces such results ought not to last over the week-end. The sooner we are rid of it the better.

Consistently with this theory, Marx taught that the Communist revolution would come first in those countries where capitalism was most advanced. That was the only conclusion which could be drawn from his so-called law of the concentration of capital. His followers were so certain of this that they denied that Marx advocated revolution. He only discovered it, or the laws which made it certain. It is as foolish, they say, to accuse Marx of advocating revolution as to accuse an astronomer of advocating an eclipse when he predicts it.

If Marx had been right, communism should have come first in the United States. Here capitalism is most advanced. When Marx wrote, capitalism was most advanced in England. There is where he looked for communism to come first. The United States was still an agricultural and not yet a capitalistic country. Communism should have come last, so far at least as Europe is concerned, in Russia where capitalism in its modern phase had scarcely begun to develop. The opposite is, of course, true. Communism came first in Russia and it very nearly succeeded in Austria, another non-capitalistic country. It threatened Italy, but was warded off by fascism. It even threatened Mexico, which can scarcely be classed as a capitalistic country. It seems least likely in the United States, Canada and Great Britain.

Yet the logic of the Marxians was inescapable. If capital is merely a means of exploitation, and capitalism is merely a system for the exploiting of labor, then it must be true that the more capitalism we have the poorer the masses must become. Labor must have been worse off in this country where there is so much capitalism than in Mexico, Austria or Russia where there was so little. All this is perfectly logical, but it does not happen to be true. The point is that the more logically you reason from a false premise the further wrong you go. The trouble was not with Marxian logic but with the facts from which it started.

Let us look at the facts. The world over, wherever there are the greatest accumulations of working capital and wherever industries have become most capitalistic, there the workers are best paid and most comfortable. Wherever there are the smallest accumulations of working capital and industries are least capitalistic, there is the greatest misery among the workers. Among non-capitalistic countries we must include, of course, China and India, Russia, Austria, the Balkans, Italy and Mexico. Among capitalistic coun-

tries, after the United States, England and Canada, we should have to include Holland, France, Belgium and Germany. It really looks as though there must be something wrong with the assumption that capital is merely a means of exploitation and that it inevitably tends to make the rich richer and the poor poorer.

Yet the thorough Marxian does not recede an inch from the position taken by his master. In *The Labour Monthly,* a British Communist journal, for January, 1932, the editor, commenting on the world situation says: "The laws of capitalist evolution to ever-increasing misery and ruin work themselves out with relentless completeness—all the more completely and relentlessly for every delay of the sole action that can turn the tide and bring in a new world today." This suggests the Millerite's certitude in predicting the end of the world and his refusal to be discouraged by the failure of his predictions. Using the present depression as a fulcrum, the editor of *The Labour Monthly* tries to move the world by the following:

"Look at the capitalist world today. Production still falls. Unemployment still rises. The sinister contradiction of ever-advancing technical power and simultaneously advancing poverty confronts capitalism with the accusing question it cannot answer. * * * The present crisis is, in fact, far greater and more fundamental than they yet guess. But our perspective of it is not theirs. We know that the overthrow of capitalism is no such simple matter; that it requires the most titanic and long-drawn struggle, action, organization and victory of the working class, and that until this is attained capitalism will still drag on from crisis to crisis, from hell to greater hell."

The converts to Islam were never more uncompromising in their affirmation that God is one God and Mohammed his Prophet than are the Marxians in their insistence on this "law of capitalist production."

Meanwhile, what is being done in a scientific way to test their theories? Economists pretty generally content themselves with analyses of price phenomena, with money, banking, credit, international exchange, balance of trade, tariffs, transportation and trusts. They give little attention to the underlying philosophy of any economic system, much less do they attempt to train students to analyze fundamental problems. A flood of radical literature flows from our printing presses, and it is apparently read. Really dependable works on economics deal only with the superficial aspects of our price system, and even these are not read. Radicals read only radical books and conservatives do not read any except those which entertain, wherein lies danger.

What is this thing called capitalism? Capital consists of all goods which help their owners legally to get an income. It includes all instruments of production and anything else which may be rented and hired. Where the owners of such things are private citizens, there is capitalism. Where they are owned in common, there is communism. Where some are owned privately and some in common, you have one of the many mixtures of capitalism and communism. At any given time and place there will be many accidental and superficial features connected with capitalism. Those who attack it are prone to define it in terms of these non-essential features. It is said, for example, to be a system in which production is carried on for profit. Not always. It may be a system under which production is carried on for wages—as when a laborer owns his own tools. Tools are capital, and where they are privately owned there is capitalism in the most fundamental sense.

Capitalism has really gone through three rather distinct phases. The most primitive is the one just referred to in which the worker owns his own tools as well as the raw material on

which he works. There soon develops alongside of these tool-owning laborers a class of merchants or peddlers, who live on traders' profits. The next phase is where these or other merchants own raw materials and hire workers to fashion them into more vendible form, the workers still owning their own tools. These merchant capitalists hope to sell the finished product for a profit, but the workers are also capitalists in that they own their own tools. The third phase is reached when the merchant capitalist owns not only the materials worked upon but the tools also. The raw materials are bought at a price, the finished product is sold at a higher price. Out of the difference wages and all running expenses are paid. If anything is left the owner makes a profit, otherwise not. Sometimes he incurs a loss.

The principal factor in producing the transition from one phase to another is the matter of expense, first, of raw materials, and second, of tools --including engines and machines. That is the outstanding fact in the third or present phase of capitalism. In this age of mechanical invention, with its powerful engines and huge buildings filled with roaring machinery, it takes thousands of dollars' worth of tools to equip each laborer where it formerly took a single dollar's worth. This has led to a differentiation between the working and the owning classes. To begin with, when tools were simple and cheap, one could not have owned enough of them to enable him to live on their earnings. This was not because tools did not earn anything. When they enable the worker to do more or better work, they add to his earnings. When he owned them himself he expected to earn more than he could without them. Some of these extra earnings would have to be attributed to his tools.

Since the age of mechanical invention the number and the size of tools have vastly increased. It is now possible for one to own enough of such things to live on their earnings. It was the mechanical inventor, more than any one else, who brought about this change. Except for his contribution there has been no essential change in capital or capitalism. Tools have grown larger, more numerous and more expensive, but they perform the same functions as before. If they were productive before, they are even more productive now. If it was useful to make small tools then, it is useful to make large ones now. If the owner was entitled to something for their use then, he is entitled to something for their use now.

The fact that ownership and work are now more or less separated is an important social fact, but no more important than many other forms of specialization that have come with our industrial development. By far the most important aspect of this separation of ownership and work is psychological. It makes class consciousness possible. But anything which separates people into distinct groups, whether it be religion, race, color or cultural standards, produces the same kind of class consciousness. Wherever class consciousness exists, some one is pretty certain to play upon it for demogogic purposes, and therein lies the danger.

As to the productivity or usefulness of capital, that is testified to by the Soviets themselves. Why were they so frantic in trying to borrow capital except to increase the productivity of their labor? Whoever supplied them with the means of increasing their productivity was doing them a service for which they were willing to pay. They might almost as well pay their own people for this service as to pay foreigners. There is also the case of a Caribbean island where, for a long time, living conditions were hard and young people were leaving the island to find work. Then some American capitalists invested about $2,000,000

in the sugar and banana industries. At once conditions changed. Work was plentiful, wages rose, ways of life improved, and immigrants began coming from other islands. Capital there supplemented labor, made it more productive than it had been, and paid it higher wages than would have been possible if it had remained a non-capitalistic island. Whenever American capital goes to Mexico, labor conditions at once improve. In fact, it is a general rule that where productive capital increases, wages rise and labor conditions improve.

This means that all Marxians fail to understand the true nature of capital. Instead of being a means of forcing labor to lower and lower levels it is a means of lifting labor to higher and higher levels. This is the reason there is more danger of communism in non-capitalistic than in capitalistic countries. It is more likely to come where the masses are in a state of misery than where they are in a state of comfort. They are always in a state of misery where working capital is scarce and labor relatively abundant. They are always in a state of relative comfort where working capital is relatively abundant and labor relatively scarce. That is the sum and substance of this whole subject of capitalism.

In the last analysis, the condition of the masses depends upon the relative rates of increase of the two factors, labor and capital. Where labor increases faster than capital, laborers are in a weak position and poorly paid. Where capital increases faster than labor, labor is in a strong position and relatively well paid. This is true in both communistic and capitalistic societies. Until communistic Russia increases her capital equipment her laborers must of necessity be poorly paid, fed and clothed. Whenever she succeeds in supplementing her vast supplies of labor with adequate supplies of working capital, the condition of the masses will improve. The same is true of capitalistic countries. In capitalistic countries, small supplies of capital put the capitalists in a strong position. Increasing supplies intensify competition among capitalists and put them in a weaker position. Laborers gain as a result. And so it goes, the world round.

The Shift in Irish Leadership

By STEPHEN GWYNN

[Stephen Gwynn, critic, historian and poet, for twelve years represented an Irish constituency in the British House of Commons. For the final results of the election in the Irish Free State on Feb. 18, which were not known when Mr. Gwynn wrote the article that follows, see Professor Brebner's article in "A Month's World History," elsewhere in this magazine.]

WITH the single exception of Masaryk in Czechoslovakia, no elected head of a State in post-war Europe has held office for so long a period as William T. Cosgrave, President of the Irish Free State. Moreover, in his ten years of power he has lost no colleague of importance—with the tragic exception of Kevin O'Higgins, assassinated five years ago. He has kept together a team of young men who have established order where they found anarchy; who have so governed that Ireland's national credit in its own small measure stands equal with Great Britain's and that unemployment is relatively lower than that of any other European country. Moreover, Ireland has now for the first time the prospect of a distinct advantage—one pound in ten—over her chief competitor, Denmark, in the British market. The Cosgrave Government has obtained assurances that tariffs in England shall be operated in a spirit friendly to Ireland, although the Free State's complete freedom of action as a Dominion and complete equality of status have been asserted persistently and successfully.

Yet, even before the recent election it was plain that President Cosgrave's administration was not popular. It was supported from interest, not from affection. On the other hand, Eamon de Valera, who certainly has conferred no benefit on Ireland since the treaty establishing the Irish Free State was signed in 1921, and who was chiefly responsible for plunging Ireland into civil war ten years ago, enjoys great personal prestige. He appeals to the popular imagination.

As far back as popular memory goes, Ireland has been accustomed to leaders who made a romantic appeal—leaders permanently out of office, receiving for themselves and their followers only a bare subsistence allowance, and pledged never to accept any State-paid post; they were paid in loyalty. Not only Parnell but his lieutenants, Dillon, O'Brien, Healy and Redmond, received an allegiance like that of clansmen to their chieftains. They were all eloquent, their faces and voices were known in every corner of Ireland. When contention came between them, it was a contention of clans.

After the World War, Redmond was dead; Dillon, in opposition to the new movement, was swept aside; O'Brien retired into private life; Healy, whose following had been the smallest, alone remained before the public; but he, like O'Brien, left leadership to the new men.

The actual leaders of the 1916 rebellion, Pearce and Connolly, had been executed; but out of the group who were prominent in that rising, the rebels and suspects interned together by England chose Eamon de Valera as standard bearer. When John Redmond's gallant brother was killed in France, de Valera was sent to contest the vacant seat and won it against the Irish party. From that time on he became a legend as well as a personality. When the active struggle for inde-

pendence was resumed in 1919, his name was a flag. Arthur Griffith counted, too, for he was the spiritual father of the movement; and as the struggle went on, another man became known everywhere — Michael Collins. Yet de Valera was more a legend than a man, since the war, driven underground, was a secret, dark affair of ambushes.

Then, in 1921, came the possibility of peace on terms short of complete independence, with separate status for Northern Ireland. Griffith and Collins accepted the treaty to the enthusiasm of Ireland; de Valera opposed it.

Six months of provisional government followed, while the country gradually drifted into civil war, and then suddenly, within ten days during August, 1922, Griffith died and Collins was shot. Power passed almost accidentally into the hands of Mr. Cosgrave, whom Griffith had chosen to be Vice President. He could dispose of the group of young men whom Collins had selected for his colleagues in administration. Chief of these were Kevin O'Higgins, Richard Mulcahy, Ernest Blythe, Desmond Fitzgerald and Patrick Hogan.

None of this group was much over thirty, some were under. The only two whose names were widely known were Desmond Fitzgerald, who had been in charge of propaganda, and Mulcahy, who had been Chief of Staff of the Republican Army. But to Ireland at large they were names only. Mr. Cosgrave, alone of the Ministry, had been in public life before the World War as Sinn Fein member of the Dublin Corporation; and he had commanded one of the posts during the 1916 rising. But, broadly, Ireland knew little of him.

When the first Dail met in the Autumn of 1922, it met under heavy guards; and for almost a year Ministry and Parliament alike functioned in a sort of fortress. Civil war went on while the Constitution was being framed—a struggle between two sections of the organization that had resisted England's armed forces, and a struggle of even greater bitterness, conducted in the same way by ambushes and assassinations. In the Dail, those members who adhered to Mr. de Valera refused to attend, objecting to the oath of allegiance stipulated in the treaty. In spite of a small Labor group and a few Protestant independents, there was virtually no opposition. In May, 1923, civil war ceased, to the extent that Mr. de Valera called on Republicans to disband and to lay aside — but not to surrender— their arms. An election was held under the Constitution, at which Mr. de Valera's following won a proportion of the seats not much short of that held by the government.

But since the Republicans refused to take the oath necessary for admission, Mr. Cosgrave and his young men governed with no effective opposition to hamper them. Between 1923 and 1927 they not only established complete order but popularized their new police force, the Civic Guard, and reformed and reduced the permanent army; provided the country with a system of first-class roads, introduced sugar-beet growing on a large scale, with the help of a moderate system of protection, and undertook a bold scheme of providing Ireland with a substitute for coal by harnessing the Shannon. Meanwhile Ernest Blythe, Minister of Finance, was pulling the country's disordered finances together.

It was a period of desperately hard and fruitful work conducted by a group of men who virtually held dictatorship in commission. Parliament existed only to register their decrees. They were under no obligation to defend or popularize their policy; and much of their action was high-handed. They tended to concentrate power in a bureaucracy; they replaced the inefficient and extravagant municipal corporations by commissioners, thereby vastly improving administration; in certain cases, before the municipality was re-established, with lessened powers, they temporarily suspended coun-

ty councils. And behind all this lay the record of their executions—seventy-seven Irish Republicans, shot as political offenders. No British Government had ever been anything like so enterprising or efficient; but none had been so high-handed.

In addition, the country which depended almost entirely on agriculture felt the general depression; and a series of locally bad seasons helped to lower men's spirits. The result was discontent. Only one element in the country was fully conscious that the government had rendered great service—the Protestant business men. From the first Mr. Cosgrave, following Griffith's policy, had given them full consideration, which they returned with a support based on a sense of their own interest. But by no means the same attitude was adopted toward the very large number of Irishmen who had been supporters of Redmond and the Irish party, and among them ill will was prevalent.

The result was seen in June, 1927, when a general election fell due. The government party secured only forty-six seats in a House of 153; Fianna Fail, Mr. de Valera's following, had forty-four. The balance of sixty-three was divided among various groups, of which Labor, with twenty-two, was the largest, and a new party, reviving the old name of Nationalist, and headed by John Redmond's son, had eight. Since Fianna Fail still declined to take their seats, all seemed likely to go on as before, when a horrible event changed the face of affairs. On Sunday, July 10, 1927, Kevin O'Higgins, the Vice President and Minister of Justice, was murdered on his way to mass in a Dublin suburb. He was by general consent the ablest and most forceful of the young men who composed the Ministry. Not only in Ireland but in the meetings with English statesmen and at the Dominion conferences he had come to be recognized as a growing force; not an orator but a speaker who had the gift to seize the essentials of an issue and put them in a few trenchant phrases. Like half a dozen of his colleagues, he had been educated at the Dublin College of the new National University and trained for a profession—in his case the law—but had gone straight from college into the revolution. As Minister of Justice, he had been specially responsible for the executions.

The murder of O'Higgins was denounced and disavowed by all parties, and even by the hidden organization of the I. R. A. (Irish Republican Army). Yet the assassins escaped. It was characteristic of Irish mentality that one of Mr. de Valera's colleagues who denounced it was challenged: "Would you help to detect?" "Do you want me to turn informer?" was the answer.

No one knew what would happen next. Mr. Cosgrave introduced and passed rapidly a public safety act giving the widest powers to arrest on suspicion and to hold trials without jury. But also determining to involve the main opposition in responsibility for government, he passed a measure under which no candidature for Parliament would be accepted unless the candidate declared willingness to take the prescribed oath if elected. Faced with the alternative of seeing his party denied all power to register the amount of popular support extended to them and being set on a constitutional movement, Mr. de Valera decided to submit, and, having declared publicly that he and his attached no binding force to an oath so taken, Fianna Fail entered the Dail on Aug. 12, 1927.

Four days later a motion of no confidence was proposed by the Labor party acting in concert with the National League, the project being that Mr. Johnson, the Labor leader, and Captain Redmond should form an administration, which up to a point Fianna Fail was willing to support. Defeat for Mr. Cosgrave seemed certain, but at the critical moment one of Captain Redmond's followers bolted and the result was a tie. The Speaker gave his casting vote for the government on

the double ground that in such a case he should so vote as to give the Dail a second opportunity for deciding, and also should if possible preserve the status quo. Mr. Cosgrave used his reprieve to demand a new election, which increased his following to sixty-one, and that of Fianna Fail to fifty-seven; the smaller groups losing heavily, especially Labor and the National League. Six of the Farmers party were returned and decided to make common cause with the government. Twelve independents gave virtually a constant support. But Labor and Fianna Fail, combined, made 70 in a house of 153.

In 1929 little of importance happened except that the works on the Shannon reached completion and power began to be supplied. This enhanced Mr. Cosgrave's prestige and that of Mr. McGilligan, the Minister for Industry and Commerce, who had been in charge of this work. He was another of the young university men who had shown a remarkable gift for administration. The Department for External Affairs had been linked with that of Industry and McGilligan, since the death of O'Higgins, had been specially in charge, also, of the attempt to define Ireland's national status within the British Commonwealth.

But the Parliamentary situation remained precarious, and in the Spring of 1930 Dr. Ward, a Fianna Fail member, proposed to restore old age pensions which Mr. Blythe had reduced to a figure below that prevailing in Great Britain and therefore, also, in Northern Ireland. Labor supported Fianna Fail, some Independents abstained, and the government was beaten by two votes. Mr. Cosgrave promptly resigned. Thereupon, Mr. de Valera was proposed, but Labor declined to support him on the ground that he did not explicitly acknowledge the authority of the Oireachtas (Parliament) and might therefore endanger the foundations of the State. Mr. O'Connell, the Labor leader, having then been proposed, received no support from Fianna Fail, and Mr. Cosgrave, proposed in turn, was re-elected President—Labor abstaining—and proposed his previous Ministry for re-election.

It was a tempest in a teacup. That same year a new loan of $30,000,000, bearing interest at 4½ per cent, was issued at 93½ in Dublin and taken up mainly by Irish subscribers. The year, also, saw the initiation of a plan by which Irish purposes have been largely financed from abroad. A bill introduced by private members to legalize sweepstakes for the benefit of Irish hospitals was left to the free vote of the house. Mr. Cosgrave and Mr. de Valera, both devout and almost Puritan Catholics, voted against it, but it passed and the results are universally known. No party could afford to move for its repeal.

The government considered that they had gained distinction when the Irish Free State was elected to a temporary seat on the Council of the League of Nations. Still more important from their standpoint was the Statute of Westminster, passed last Autumn by a Tory Parliament, which recognized the complete right of the Free State to legislate on all matters and in contravention of any British statute. But it must be said that these questions of international recognition and status have not touched the popular imagination in Ireland. The only romantic gesture which gains applause is an act of defiance to Great Britain. Mr. Cosgrave cannot do this, but he has offered security and prosperity, and Ireland is anxious for these, yet still dislikes the word coercion.

At the end of 1929 the public safety act was allowed to lapse and by 1931 the consequences were apparent. The I. R. A. resumed its illegal drilling and threatened those who interfered. On the hills five miles from Dublin a couple of Trinity College students out walking were menaced and then fired on. Near the scene, a large dump of arms was discovered, but the men traced as responsible for it escaped conviction repeatedly by disagreement

of the jury. Matters were worse in the country. A police superintendent who had secured the conviction of men for illegal drilling was shot dead outside his house. A lad who had given evidence in another case was taken out and shot; in his case the coroner's jury simply returned the verdict "died of gunshot wounds." Jurors had been taught that they took a risk by finding "murder."

Mr. Cosgrave decided to act forcibly, and last Autumn brought about the passing of the Constitution Amendment act for setting up military courts to try such cases with almost unlimited powers and no appeal. This was followed by a pastoral from the Catholic Bishops denouncing secret societies and calling on young men to come out of them. The effect was surprising. No attempt at resistance was made. Quantities of weapons were handed in. Many men publicly owned their membership of these associations and renounced it, thus proving that the secret societies had lost their power to intimidate. Very few heavy sentences of imprisonment and no death penalties were inflicted; and order was restored.

From that time on Mr. Cosgrave governed with a narrow majority and an implacable opposition. The result is that the last five years of his administration have been far less fruitful than the first. Very little that is new has been initiated. All the characteristic measures date from the earlier period—the formation of the Civic Guard, the reconstitution of the legal machinery, the organization of the national army, the launching of the Shannon scheme, and even the measures which have had most effect on agriculture. Thus, in 1925, power was secured to require a license for all breeding bulls in order to weed out inferior strains. In the same way regular inspection of butter and eggs exported was set up with heavy penalties on any shipper of inferior articles. These laws were passed when there was virtually no opposition; the administration of them has been continuous and effective, and the improvement in Irish live stock has occasioned a demand in the British Parliament that Dublin's example should be followed.

Another decisive step lies outside the period which I have to chronicle; the negotiations for a revision of the border between Ulster and the Free State led to an award which pleased no one, and it was decided to make no change. As compensation, Great Britain waived her claim to exact from Ireland a proportion of the National debt, and as a result the Free State is clear of all commitments except its own borrowings. The effect was seen in December, 1927, when a Second National Loan of $35,000,000, floated in Dublin and New York on terms representing less than 5 per cent interest, was oversubscribed in a few hours.

In 1928 the new orientation of Free State policy became openly defined under the challenge of active opposition. When the treaty was accepted, Collins agreed to it as the stepping stone to a republic. Not only Mr. Cosgrave but Mr. Blythe, the Finance Minister who had succeeded O'Higgins as Vice President, Desmond Fitzgerald, Minister for Defense, and General Mulcahy, Minister for Local Government, had been closely associated with Collins. But in 1928 Mr. Blythe said publicly: "We believe that this country within the British Commonwealth of Nations can enjoy greater freedom and security than outside it." The effort was now directed to drawing the maximum of independence from the position accorded to the Free State under the treaty, which was defined as equal to that of Canada.

One claim had been staked out in the beginning of 1927 when Mr. Healy, the first Governor General, ceased to hold office. The Free State claimed to nominate his successor, and James MacNeill, formerly of the Indian Civil Service, brother of Professor MacNeill, a leader of the Irish revolution and of the Gaelic movement, was

put forward and accepted; he had been High Commissioner for the Free State in London. Another assertion of status was the appointment of representatives to foreign powers—a gesture which was first reciprocated by the United States which appointed Fred Sterling as its Minister. There followed, in 1930, the appointment of a Papal Nuncio and of Ministers from the Governments of France and Germany. Other powers were content to have a Consul General, but Dublin has for the first time become a diplomatic centre.

Separate status was asserted in another way by the introduction of a distinctive coinage, identical in value with the English, and distinctive notes. These circulate in Ireland side by side with English money and are cashable at banks in Great Britain.

Mr. de Valera, on his part, held fast to the separatist ideal, and as a first step proposed to abolish the obligatory oath. This clumsy formula has no merit in itself, but, beyond yea or nay, the Article of Signatories to the treaty stipulated its enforcement. Mr. de Valera, however, proposed to proceed by a clause in the Constitution which gave to the electorate a power of initiating legislation. The government retorted with a measure which removed the clauses establishing the initiative and the referendum. As the Constitution remained open to amendment by act of Parliament till 1938, this was possible and the general desire to avoid a break with Great Britain ensured its passage.

Nevertheless, the effect had been to unite all the Republican parties into a joint effort on the one line which remained open—that of the ballot. Mr. de Valera's main body, Fianna Fail, was the right wing of the movement; another, Sinn Fein, avowed constitutional means but denounced him for entering the Dail; to the left was the I. R. A. organization, and still further to the left was the extreme group called Saor Eire, definitely touched with Communist and anti-clerical views. Many of them had despised the ballot box; but now all were swung into line.

In a sense the government helped them. Two of its leading members, Mr. McGilligan and Mr. Hogan, were extremely violent in controversy, and in their administration they had made many enemies. Mr. Hogan, a young Galway man, whom Sir Horace Plunkett has described as "the ablest Minister of Agriculture in Europe," alienated the farmer whose inferior bull he rejected, the careless butter maker and exporter or egg dealer whom he fined for attempting to send out bad produce. His administration interfered drastically with all Irish life. Mr. McGilligan was responsible for the Shannon scheme, and though the work was carried through within the stipulated time and the demand for electricity exceeded anticipation, the arrangements for distribution were less than satisfactory, and within the last six months the promised rates have had to be raised. Mr. Blythe, again, a Protestant northerner, unconciliatory in manner, has been obliged to offend with his economies; and with a courage and honesty very characteristic of this government, which never played politics, he reduced army pay, police pay and civil service pay on the very eve of the election.

It is a fact, too, that none of these young Ministers has created a personal attachment. They were unknown to Ireland till they became the government, and government is traditionally unpopular in Ireland. Mr. Cosgrave alone, and that only of late, has acquired personal popularity. Nobody could be more representative than this shrewd, good-humored, fair-haired little Irishman, representative not of agriculture nor of the countryside, but of small business, the great middle class of Ireland, devout but not ascetic, a keen sportsman, not book cultured but with an intelligence that has fed—as did that of Lloyd George—on the stuff of high employment. At

the recent election his personal success was as marked as ever.

Mr. de Valera, on the other hand, appeals to romantic imagination. Like the traditional Irish leader, he has always been in opposition; he has never lowered the abstract national claim. His personal character in all respects shows high and he has never stooped to abuse. Many people in Ireland have long been anxious to see him in power because they feel that the apprehension of what he may do is more injurious to Ireland than anything that he is likely to do; indeed, there is little he will have the power to do by constitutional means with no clear majority in the House.

But it is necessary to remember that the two main parties have between them savage memories of the civil war. If the next six months pass peaceably, Ireland's feet may at last be set on a clear road. This is not the place for prophecy, although two additional points should be noted. Mr. de Valera has committed himself specifically to refuse payment of the annuities which the Irish Government collects from the tenant purchasers of land bought under British land purchase acts. These transactions were financed by stock issues which are held by private persons and corporations but are guaranteed by the British Government—which therefore will be placed in the position of having to make good the payment.

The other point is more general, Mr. Cosgrave's administration introduced a selective system of protection; Mr. Hogan, particularly, argued that Irish farmers, who comprise three-fourths of the population, had no competing imports to fear, and must suffer if the price of manufactured articles were raised. Mr. de Valera is committed to a drastic system of tariffs, which will aim at making Ireland manufacture all she needs. But in this as in other matters, he cannot command Parliament, nor has he a majority in the Senate, which has a power to delay legislation on all matters other than finance.

On all accounts the future is interesting.

DUBLIN, Feb. 23, 1932.

Mussolini Turns to Thoughts Of Peace

By W. Y. ELLIOTT
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OF the Protean transformations which have allowed the most radical revolutionist of the old pre-war Italy to become the pillar of capitalism, Church and State, Premier Mussolini has recently offered yet another instance, the most surprising of all his *volte-faces*. Through Signor Grandi, his Minister of Foreign Affairs, and in his own broadcast speeches to the world, he now mounts sweetly on the wings of the dove of peace. It is hard to forget that he used a few short years ago to talk of nothing but guns and ships and airplanes that would "darken the sky." What accounts for this complete boxing of the compass? Is it strategic or sincere?

To speak of sincerity in relation to the head of the Italian Government is to introduce a difficult problem in psychological motivation. To all appearances, he can be sincere, even violently sincere, in advocating policies today which yesterday were such heresy as to be dangerous in Italy. In 1922 he was, according to Fascist legend, the savior of Italy from Communism and the great foe of Moscow. By 1925 he had begun economic relations with Russia, and in 1932 no power seems to be on more cordial diplomatic terms with the Soviet Union than is Italy. In 1923 he was the great hope of M. Poincaré as an ally in squeezing reparations out of Germany by the Ruhr adventure in coercion. Less than a decade later he has pronounced the need of revising all the inequitable treaties of peace that were made at Versailles and elsewhere. He has declared, within a few months, the impossibility and implied the injustice of reparations, and his journal, the *Popolo d'Italia* of Milan, has gone to the extreme of urging the need of washing the European slate clean of all the liabilities of the war.

In a kindred matter that affects Americans very nearly, the question of the allied war debts to this country, Mussolini's change of front has been equally abrupt and decisive. Count Volpi, formerly of the Banca Commerciale, and the second Finance Minister in the list of those so far "rotated" under the Fascist régime, secured a debt settlement with the United States which, in 1926, was accounted a diplomatic triumph. The Italian Government was allowed a settlement far more favorable than that accorded even to France. Substantially, only money borrowed after the cessation of hostilities was to be repaid. The Fascist Government hailed this victory as its greatest achievement, a more substantial one than outfacing the League of Nations after the bombardment of Corfu. And in fact important practical results began at once to flow from the debt settlement —Italian loans, public and private, were floated on the American market until the saturation point was reached in late 1928.

But Mussolini has now seen the error also of trying to pay allied war debts to the United States. He concludes, if the officially inspired *Popolo d'Italia* represents his own views, that

the moral pressure of isolating the United States by an internal European cancellation of reparations claims would irresistibly force us to forgive Europe the war debts. It is true, however, that a subsequent issue of that journal has watered down this claim.

On all these major issues of foreign policy, the Fascist policy has, within a decade, been sharply reversed. Is it to be wondered at, then, that from the greatest builder of armaments and the arch-imperialist of Europe, Mussolini has become the most drastic proponent of disarmament and world peace?

The simple and obvious explanation that perhaps lies behind this change from warlike gestures to offers of drastic reduction—"equalization of armaments at the lowest level"—is the parlous state of Italy's finances. The load of taxation is as heavy as the national economy can bear, indeed, far heavier on articles of general consumption than that of other countries, if relative wealth be considered. Italy's power to borrow abroad has been exhausted, and even the drastic Fascist methods of raising internal loans can produce no real increase in revenue. Consequently, with a budget that was almost $50,000,000 out of balance last year and a deficit that is already about $85,000,000 for the first half of this fiscal year the government must reduce something.

As military, naval and air armaments constitute about 25 per cent of Italy's total budgetary expenditure of about $1,200,000,000, it is clear that a slash here is indicated. A rough comparative calculation indicates that France spends only about 23 per cent of her receipts on armaments, the United States about 17 per cent and Great Britain a little more than 14 per cent. The figures for Italy do not include the expenditure for the special Fascist militia and the other forms of subvention to excessive police forces, really military in character. Nor do they include the ever-increasing burden of the merchant marine, which the State must save from bankruptcy if it is to preserve an auxiliary naval arm. To maintain nearly 500,000 men regularly under arms is a terrific burden.

In short, Fascist Italy is finding that the price of Roman grandeur comes beyond its powers of payment. A parity with France, dictated by prestige, is out of economic reach. Yet, beyond Grandi's safe offer to pare to the bone—if only every one else will do likewise—no effort has actually been made to reduce expenditures for war-like purposes. Grandi's proposals at Geneva on Feb. 10 to abolish capital ships, aircraft carriers, submarines, heavy artillery, all kinds of tanks and bombing aircraft reads like a list of those arms in which Italy cannot hope to compete with France without inviting bankruptcy. After the recent air manoeuvres over northern Italian cities, Italo Balbo suddenly affirmed the necessity of a new building program to defend the helpless civilians, incapable of being protected by the second largest air fleet in the world.

After some readjustments in military and naval expenditures the budget for the present year shows a decrease of only a few hundred thousand dollars in the total cost of maintaining Italy's armament. Italy's increase of 186,000 men over her pre-war footing is the largest of any power, and she has 300,000 Fascist militia in reserve as well as a system of practically universal military training for the youth of Italy in the Fascist organization. Her direct expenditures on armaments are 50 per cent greater than in 1913.

How much, then, does the change mean from the imperalist tone that threatened Austria and Germany from the Brenner Pass, that openly declared irredentist ambitions on Corsica and the Nice and Savoy coasts of France, to one of sweet reasonableness? What reasons are there other than those of economic strategy?

It may be that the pegging of the lira by an international banking consortium is no longer resorted to. The official claim is that the lira is on its own feet and maintains its value without artificial aid. But Mussolini knows that any widespread loss of confidence in the value of the lira would destroy his painful effort to keep it for purposes of prestige well above the franc. He knows, too, that the threat of a war or the prospect of one would be ruinous to Italy, which could not without vigorous and powerful allies support a first-class war for six months. He has changed his tone.

Is this the end of the "imperialist" period of Fascism? Were all Mussolini's sallies to Tripoli and those of his Ministers to Tunis and the warlike words spoken to France merely intended for domestic consumption? Has he been creating a "nuisance-value" heretofore in the Micawber-like hope of something turning up—a willingness of France to share Tunis? Or Belgium or Portugal some other African colony? A mandate from the League—and over what? In any case, for the moment at least, one hears less about Italy's divine right to expand, less about irredentist movements to reclaim the million Italians lost to France by emigration and settlement in the "ancient Italian provinces." There is less flag-waving over the upper Adige and the Trentino, less open coveting of the opposite shore of the Adriatic and the coasts of Dalmatia. The perfervid shifting of combinations against the Little Entente seems to be temporarily in abeyance, and Italy joins Germany in demanding treaty revision and the maximum of disarmament.

The history of Italian foreign policy shows that, even with a less inconstant guide than Mussolini, the era of Italian imperialism could not be regarded as finished by Grandi's addresses to foreign policy associations, to the press, and at Geneva.

Italy is a very prolific nation, endowed by nature with a homeland ill suited to the intense industrialization necessary to support a constantly increasing population. She has practically no coal and iron deposits worth considering. The same pressure from an expanding people, cut off from the usual outlets by immigration restrictions, inevitably makes itself felt. The wine of new nationality poured into the old bottles of a long settled race is working heavily.

Since the time of Crispi Italy has cast about for suitable colonial outlets. The old Italian colonies of Eritrea and Somaliland are incapable of supporting European colonization on any scale. Cyrenaica is not much better. Italy, backward in seizing Tunisia, had the mortification of seeing France act instead and take over, by that coup in 1881, the large Italian colony settled there. The stroke made Italy's entry into the Triple Alliance inevitable, and turned Crispi into a prototype of Mussolini. Crispi's own subsequent adventure in trying conclusions with Abyssinia, however, resulted in the mortification of the defeat at Adowa in 1896. The rankling of this national humiliation was undoubtedly one of the main factors in forcing Giolitti into the struggle with Turkey over Tripolitania in 1911. Though that was a short and not very glorious war, it served to give Italy a foothold in Northern Africa from which she has pushed stubbornly inland, occupying unprofitable oases and subduing rebel Berbers, with perhaps an eye ultimately on penetrating to Lake Chad; or, if alarmists are to be believed, of pushing on to the Belgian Congo.

But imperialism has not been the dominant note of Italian foreign policy. Most of her Premiers and Foreign Ministers have been too conscious of weakness to invite trouble. Depretis is credited with that classic remark, "When I see an international question on the horizon, I open my umbrella and wait till it has passed." The conciliatory policy of the Italian Foreign Office oscillated uncertainly in the

balance with excursions like those against Abyssinia and Turkey. Chained to Austria, because as Bismarck had told the Italian Government, "the way to Berlin lies through Vienna," no Italian Government could be violently irredentist about Trentino and the Austrian Adriatic littoral before the war.

After the war Italy emerged from the peace conference with no substantial colonial gains, and smarting under the loss of Fiume. Fascism owed a considerable part of its early support to the imperialist sentiment that supported d'Annunzio's rather opera bouffe "conquest" of Fiume. Mussolini identified himself whole-heartedly with this "fruits of victory" patriotism. He promised to bring Yugoslavia to heel and show a formidable set of teeth to any interference from the powers.

The treaty of Santa Margherita did not secure all that he wished, but the early period of fascism did capitalize the "nuisance value" of the intense, newly awakened sense of national importance to make several advances in prestige. The Corfu incident was generally interpreted as showing in the first crucial instance that a determined world power could face down the League, at least during the crisis. In December, 1925, Fascist Italy obtained from Egypt some cessions of territory previously in dispute—certainly with the benevolent accord of Great Britain. Sir Austen Chamberlain went himself to Rapallo and to Leghorn—at last the mountain to Mohammed! The accord between Italy and the Imam Yahia, chief of the Yemen, gave Italy not only some commercial relations of possible importance, but the possibility of a foothold on the other side of the Red Sea. Great Britain, apparently still benevolent, concluded a joint accord for future action regarding Abyssinia, against which Ras Tafari felt it necessary to protest to the League. Even France has adopted a notably conciliatory attitude toward the Sicilians in Tunisia, allowing them what amounts to the cultural privileges accorded to minorities by the peace treaties of 1919.

Of really solid work toward extending Italian control, Mussolini has to his credit only the making of Albania under King Zogu into an Italian sphere of influence—really a protectorate. Before the general collapse of governments with the credit structure he had made some headway toward bringing Hungary into his orbit. But now Bethlen has fallen, as Pangalos did in Greece, before results could be hoped for from Italian loans for war materials. The dubious combinations of Rumania and Bulgaria and Hungary, as a counterpoise to French influence over the Little Entente, have crumbled along with Italy's inability to rival France as a financial power. Fascist Italy has had an obvious flirtation with Germany, which resulted at least in better relations between Italy and Austria. Bruening has visited Rome, and Grandi has gone to Berlin, but unless Hitler upsets the whole European applecart, Germany is not likely to try a combination with an ally of whose previous bad faith she has such painful memories.

Mussolini's foreign policy suffers from the fertility of his journalistic imagination. The Fascist foreign policy, having no fixed aims or points of orientation, leaves all who deal with it profoundly dubious of the possibility of counting on it. M. Averescu's treaty with Italy hardly commands general or even effective support in Rumania. Yugoslavia is distinctly hostile, on account of the treatment of Slovene minorities in Italy and the Italian démarches in Albania. Czechoslovakia and Greece are distrustful. The other Balkan States can hardly be counted on to back Italian policies, though they listen politely and accept favors.

Simply because Italy can gain its colonial ends of African expansion only if Europe again be embroiled, she

is still today the dangerous factor in Europe — useful to Great Britain at times to hold France in check, but perilous if Hitler should be encouraged to precipitate matters.

No one who has studied Mussolini's frankly Machiavellian diplomacy can have any confidence in Grandi's professions as representing a genuine change of heart. He opposes the French thesis of "security first" because it would bolster up the status quo that Italy dislikes and because it is French. The gospel of force and the sacredness of violence are engrained in the Fascist ideology. Its actual practice is a possibility that bankers do not care to consider, and in order to be a "good risk" one must give certain assurances. But Fascism knows no other ends than a greater Italy. Birth control is profoundly abhorrent to Fascists. The right of vigorous breeds to inherit the earth is part of their inmost thought, which they have often been tactless enough to express in the most positive terms.

On this point, that is opposition to all neo-Malthusian methods of keeping down the birthrate, Mussolini and the Pope see eye to eye. The Lateran Accord, expensive as it was to the Italian State, not only in the money indemnity of about $85,000,000, but in permitting Church control of education, brought precious support to the Fascist régime. If Mussolini's recent visit to the Pope smacked of Canossa, it had probable ulterior motives such as the assumption by Italy of the protection of Catholic missions, a rôle, of value in prestige, hitherto assigned to France.

Today Italy speaks again with the voice of conciliation because she is not able to compete for allies or in economic strength with France. But Fascist Italy, more and more educated in a policy of combative nationalism, can hardly begin to "roar you like any suckling dove" without a bass undertone to the falsetto. Discipline and order can not be made ends in themselves without some danger that the ceaseless preparation of all the youth of Italy against "the enemy" may one day find a mark.

It is probably fanciful to see, as some French critics do, Italian foreign policy directed consistently at some fixed objective like the Belgian Congo or the African territories of Portugal. In its essence it is too opportunist to have a fixed aim. Probably the very wealth of possibilities created by the improvising genius of Fascist imagination constitutes an embarrassment of riches. But it is certain that the Fascist policy, so long as it is guided by Mussolini, is to be ready for hopeful auguries. And that readiness implies the schooling of the eager youth of a nation in arms.

In the long run the allied countries of the last war might render themselves as well as Italy a real service by opening up their colonies in a genuinely unrestricted way to international development, in which both Italy and Germany might share. But they are hardly ready to give up territorial control to Italy unless the price paid is commensurate with the rather absurd estimate current among world powers of the loss of national prestige involved in the transfer of territories, many of which are of problematical economic value.

Why America Rejected the League

By ALLAN NEVINS
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IN the current period of depression, with everything from Presidents to pounds sterling at a discount, it is natural that the League of Nations should be lower in prestige than for several years past. Its stock has dropped along with all other securities and efforts at security. As the first impulse of a financially pressed individual is to withdraw from clubs, church and charitable organizations and concentrate his energies upon his own problems, so the first impulse of frightened nations has been to veer away from all forms of international effort. It is not that there is little faith in the League or its powers of continued growth, but that there is little surplus energy for its activities. The war in the Far East came at a moment when the member-nations of the League were crippled and immobile, and the timidity with which each capital regards any new risk or expenditure has been transmitted to Geneva. But the fact that in a plague-smitten city all forms of communal effort cease while the inhabitants flee does not mean that they will not be resumed when the epidemic dies. After the present crisis passes and the nations cease to cower behind tariff walls and gold reserves, the League will regain vigor.

One disagreeable feature of the present situation is the tendency of many Americans to seize upon it as an excuse for saying "I told you so." Whenever the League succeeds they keep silence; whenever it fails or shows weakness they point the finger of scorn. After the Italian bombardment of Corfu, after the invasion of the Ruhr, after the attack on Shanghai, they hastened to exclaim that this proved how lucky we are to be outside the impotent and blundering organization. Even Governor Roosevelt, with painfully obvious motives, thinks it a fit time to attack the League as having wandered from its original objects. The fact is that a good deal of this readiness of Americans to seize on League shortcomings springs from an uneasy conscience. The critics are aware that we have played far from a heroic rôle in relation to the League. They would like to find excuses for our none too noble record in the past, and for continuing a timid course in the future. Talk about the League's "failures" is a cheap and easy way to forget our own.

The present is, therefore, a happy moment for a book which recalls two cardinal facts, and enforces one of them with a wealth of detail: first, that the methods by which American rejection of the League in 1920-21 was accomplished constituted about as seamy and mean-spirited a transaction as has occurred in our history since the rejection of the Lincoln-Johnson plan of reconstruction in 1866-67; and second, that the League somehow survived four years of initial weakness and grew strong in spite of neglect by Americans and distrust by old-school Europeans. The book which sets forth these facts is Professor D. F. Fleming's admirable *The United States and the League of Nations, 1918-20* (New York: G. P. Putnam's Sons, 1932. $5), a thoroughly documented work of more than 500 pages. Neither fact is pleasant for the "I told you so" group to contemplate.

Any critical scrutiny of events in

the Senate in these two years shows a glaring amount of intrigue, hypocrisy, partisanship and prejudice, and an even more glaring lack of generosity and courage. Not all the blame rests on one side, for Woodrow Wilson may justly be taxed with some errors and his advisers with more; but by far the greater part of it must be placed on one particular group of treaty opponents. The fact that the League triumphed over its early difficulties is an earnest that it will rally successfully from later periods of inanition and discouragement. If it did not now exist it would have to be invented anew, and immediately, on much the same lines which it now follows.

It may be objected that Mr. Fleming's careful volume is somewhat premature. The evidence is yet in large part unknown, and will remain so until the whole generation of statesmen prominent in 1918-21 have passed from the stage and their papers have become public property. It is as if a historian had essayed to untangle the skein of reconstruction in 1875. Little is known yet, except through select documents presented by Lodge in his book, *The Senate and the League of Nations,* and in the biography of George Harvey, of the inner operations of either the bitter-enders or the strict reservationists. When we obtain more letters by Lodge, and the papers of Knox, Moses, Brandegee, Hiram Johnson, Borah, Hitchcock and others, we can better appraise the course of events in the Senate. As yet we can only guess as to the influences working on Wilson when he rejected the Lodge reservations and carried with him enough Senators to defeat the treaty. Ray Stannard Baker will have to fill this gap. Nevertheless, Mr. Fleming's book is surprisingly complete and convincing. Later evidence will alter many details, but is unlikely to change the main verdict to which the author points.

Just why did the United States reject the League? Some would say that fundamentally it was because majority opinion was against it and impressed its antagonism upon the Senate; but no one who has carefully studied public opinion as it existed in 1919 would assent to this view. Others would say that it was primarily because Wilson showed an impracticable temper and defeated his own instrument by refusing to accept reasonable changes. This opinion, while it possesses a certain plausibility, neglects factors which strongly qualify and probably invalidate it. Still others will lay much of the blame on a series of accidents, and certainly every conceivable form of ill-luck attended the Covenant. From the illegal election of Newberry in Michigan to the prostration of Wilson, fate dealt it blow after blow. Still others, with a mounting array of evidence upon their side, would lay the principal blame upon Lodge and his strict reservationists and would say that they intended defeat from the outset. But the question is too difficult for a simple answer; the League was defeated by a complex of circumstances, and all Mr. Fleming's long, involved narrative is required to explain it.

It is necessary in any considered treatment to deal with all four of the factors indicated above: First, with the methods of the opposition groups; second, with the tactics of Wilson and the other sponsors of the treaty; third, with the rôle of mere circumstance; and, fourth, with public opinion. Mr. Fleming takes them up in order. He shows how the general idea of a League was conceived; how before a line of the covenant was written the Republican leaders in the Senate attacked it and demanded that the treaty precede any League; how Wilson ignored them; how the Foreign Relations Committee was packed against the treaty; how the debate aroused a cloud of misconceptions; how the treaty was finally defeated by a union of two extremes, the Wilsonians and bitter-enders against the reservationists; and how the defeat was

apparently confirmed by an election that was really anything but "a great and solemn referendum." In general, Mr. Fleming avoids comment. His facts are left to speak for themselves. But on the basis of his narrative and other available information, it is possible to form a fairly definite set of conclusions.

One conclusion affects the character of the Senate groups arrayed against the treaty. It will be remembered that when the treaty came to a vote there were forty-nine Republican Senators. Of these fifteen were irreconcilables. Of the other thirty-four, there were about eighteen who followed Lodge in desiring "effective reservations," and eight or ten "mild reservationists." Mr. Fleming does not pause to analyze these groups, but their conduct speaks for them.

Of the three, the irreconcilables must be treated with very considerable respect. For one thing, most of them were utterly sincere; Borah, "Jim" Reed, Thomas of Colorado and others were actuated throughout by honest motives. Moreover, they stood for a definite philosophy. They represented in general the standpoint of the interior of the country, far removed from the seaboard and its Old World contacts. They had certain economic motives, such as a distrust of international financiers, but they expressed still more the isolationist spirit of the pioneer, the self-sufficiency of the frontier. They had the feeling, natural to the West, that America's first duty is self-development, and that we have enough to do in settling our lands and building up our industries. It is absurd to say that Borah was lacking in idealism; but he and his associates believed, like Americans of Jeffersonian and Jacksonian days, that we could best help Europe simply by setting up an object-lesson in democracy, equality and social well-being. There was a great deal of ignorance in their attitude; they were not living in the twentieth century of unescapable foreign contacts at all; but it was an ignorance that once in our national history had been wisdom.

The mild reservationists are also worthy of respect. Including some of the finest spirits in the Senate, such as Kellogg and Knute Nelson of Minnesota, McNary of Oregon and Lenroot of Wisconsin, they also were patriotic and sincere. They wanted the League and wanted it practically intact, but they were concerned about precision in a few details. They may be said to offer a parallel to the men who, a century and a quarter earlier, had insisted upon attaching the first ten amendments to the American Constitution. One of them, Porter J. McCumber, a man of vision from the North Dakota plains, appears in an almost heroic light in his fight for ratification. None of this group showed personal feeling, excessive partisanship or undue concern over the prerogatives of the Senate.

It is the strict reservationists or Lodge group who least deserve respect. From the outset their sincerity was open to question and it remains more gravely questionable with every bit of pertinent information that we acquire. Several, unquestionably, talked of improving the Covenant when they actually meant destroying it; their amending pen was a stiletto in disguise. They acted with an eye to assassination by indirect means, so that the blame might be thrown upon Wilson. The theory of a formal conspiracy is doubtless untenable, and it is probable that Lodge and others alternated between a desire to humiliate Wilson by drastically altering his Covenant and a willingness to defeat the League altogether. Even so, they were insincere. Posing as eager to see the Covenant accepted with reservations and the League brought vigorously into the world, they put no courage whatever behind this position. If they had been willing to fight for it, they might well have won, but whenever a fight was required they bent weakly to the bitter-enders. We shall

see that there was one critical moment in particular, in the compromise negotiations, when by persistence Lodge might have carried a moderate program, but the bitter-enders confronted him menacingly and he dashed the whole scheme to the ground.

Nor are the general ideas — the philosophy — of the strict reservationists worthy of much respect. Unlike the irreconcilables, they saw the light — and then sinned against it. Lodge, Frelinghuysen, Kenyon and others were by no means ignorant of the needs of present-day internationalism and world-organization, but they turned their back on them. Several of these men, notably Lodge and Fall, were actuated in part by personal animosity against Wilson. But this motive can be overemphasized. Lodge is probably as pure an example of the blind and selfish nationalist as our country has produced since James G. Blaine. A belligerent and indeed truculent type of nationalism runs as a binding thread throughout his career. Early in the '90s he was threatening Great Britain with war over the Venezuelan boundary, and presenting his famous resolution for a trade boycott if she did not turn to bi-metallism; later he led the jingoes in demanding war with Spain; he became Germany's bitterest hater and just after the armistice favored partitioning her; and he closed his Senatorship with a wanton insult to Japan. Much of his opposition to the League must be explained by his belief that our least rights were paramount over other nations' greatest rights, and that our motto should be no risks and all gains. A patrician, an intellectual, an indefatigable traveler, he was withal a man of unyielding prejudices and parochial soul.

It was Lodge who exercised a dominating influence in packing the Foreign Relations Committee with men hostile to the League. Ex-President Taft protested against this at once. He pointed out that the new Foreign Relations Committee had been made sufficiently Republican to give the party a majority without the vote of McCumber, who was known to favor the treaty, and that a careful selection had been made of Republicans whose opposition to the treaty was pronounced. Senator Kellogg would naturally have been taken before Moses, who was a new Senator and one whose term expired in two years; but Kellogg had made a speech in favor of a League, and had refused to sign the "round-robin," and he was hence left out. Lodge remarks complacently in his book that "this was a strong committee, and such as the existing conditions demanded."

It was Lodge who unsuccessfully urged Henry White to go behind Wilson's back in Paris and show Balfour, Clemenceau and Nitti a memorandum which Lodge had written and which would weaken the President there. It was Lodge, who on April 29, 1919, when sentiment seemed still overwhelmingly for the League, held a conference with Borah, chief of the irreconcilables, in which they agreed on a virtual partnership. "I said to Senator Borah," writes Lodge, "it seemed perfectly obvious to me that any attempt to defeat the treaty of Versailles with the League by a straight vote in the Senate, if taken immediately, would be hopeless. * * * I told him that in any event there was only one thing to do, and that was to proceed in the discussion of the treaty by way of amendment and reservation." This conference, he adds, secured the support of all irreconcilables to his reservations. And it was Lodge who, as he confesses in a passage which Mr. Fleming strangely omits, was determined that Wilson should be blamed:

"There was another object which I had very much at heart, and that was if we were successful in putting on reservations we should create a situation where, if the acceptance of the treaty was defeated, the Democratic party, and especially Mr. Wilson's friends, should be responsible

for its defeat, and not the opponents of the treaty who were trying to pass it in a form safe for the United States." (*The Senate and the League of Nations*, page 164.)

All informed Americans are familiar with the course of the Senate debates on the Covenant, beginning a few days before Wilson's first return home from Paris, in February, 1919, and continuing through the Spring and Summer. But there must be many who are not familiar with some of the principal features of the negotiations behind the scenes. Wilson returned home for good early in July. On Aug. 19 he held his second White House conference with the Foreign Relations Committee, urging early ratification. Meanwhile the majority of the committee sat squarely astride the treaty, its public hearings developing racial hostility to the League in every direction. The post-war slump in enthusiasm was becoming pronounced, and 2,000,000 homesick, disillusioned soldiers were flooding home from France, ready to shut the front door and keep it locked. Wilson made his appeal to the West, and came back to the White House more dead than alive.

The treaty, with the Lodge reservations, was defeated. Then, under pressure of public sentiment, an effort was made to compromise the dispute in such a way as to allow the United States to share in establishing peace.

It was these compromise negotiations of January, 1920, which constituted the acid test of the sincerity of Lodge and his strict reservationists. They were initiated by Senator Colt of Rhode Island, a Republican mild reservationist, who talked the matter over with McKellar. These two agreed on a compromise set of reservations. Kenyon and Kendrick were then called in, and also agreed. The informal committee was immediately enlarged by Senators Simmons and Lenroot, who also subscribed to the tentative reservations; and so did Walsh and Kellogg. The eight Senators then consulted their respective leaders, Lodge and Hitchcock, and by Jan. 17 earnest work was well under way. On the 21st Lodge declared progress had been made, and on the 22d the press ran optimistic headlines, the *New York Tribune* reporting partial acceptance of a compromise "distinctively milder in its terms than the Lodge reservations."

By the 23d the bitter-enders had taken fright. At 2 o'clock, when the bipartisan conference was to reassemble, the embattled irreconcilables, including Knox, Borah, McCormick, Moses, and Brandegee and Poindexter met in Hiram Johnson's office and had Lodge intercepted at the conference door. He excused himself "temporarily" from the gathering that many hoped would end the long battle. Three hours elapsed before he emerged from his talk with the bitter-enders. As he subsequently confessed, he had assured them that there was no danger that he would concede anything that was essential or that was more than a change in wording. He had surrendered, and the compromise negotiations were at an end. Mr. Fleming puts it well: "He had been driven into conference by the mild reservationists, backed by public opinion; he was now driven out by the bitter-enders, supported by the dread spectre of party schism." The acid test had shown his sincerity to be a pretence, for sincerity that is without courage or conviction is not sincerity.

Looking back on the whole transaction, there appear to be two great tragedies involved in it. One is that the Democratic leaders allowed themselves to be outmanoeuvred by Lodge's strict reservationists, who really (and we must believe deliberately) defeated the treaty. By shrewder, prompter and more dexterous action, the administration in all probability might have made terms with the Republicans who were most friendly to the League, and thus have carried off the victory.

A number of the mild reservation-

ists hoped during the Autumn of 1919 that Wilson's representatives would agree to a sufficient number of reservations to make possible a two-thirds vote. A coalition of all the Wilson Democrats with all the moderate Republicans could almost certainly have forced a rewriting of the Lodge program and have brought America into the League without conditions offensive to other nations. There is much evidence that in October the mild reservationists repeatedly hoped for Democratic action toward this end. Hitchcock on Nov. 13 belatedly brought forward a set of five reservations; he should have offered a larger set at a much earlier date. If Wilson had never suffered his paralytic stroke, and if a keener mind than Hitchcock's had been in charge of the Senate minority, the requisite alliance might have been effected and the nation would be in the League today.

The second and greater tragedy was the failure of American public opinion to force favorable action by the Senate upon the treaty. It is hard to avoid the conclusion that an electorate of greater enlightenment, idealism and boldness would have responded to the League proposal, as did the people not only of the European powers, but of Scandinavia, Holland, Switzerland, the British Dominions and some South American countries. For a time opinion did assert itself with great energy. Early in 1919 the principal agencies for expressing the popular will all seemed to be on the side of immediate acceptance of the League. The churches were for it; the women's organizations were for it; the intellectuals—teachers, professors, writers, professional men—seemed in the main to be for it. The American Federation of Labor came out in its behalf. At a meeting of the American Bar Association in Boston a unanimous vote was registered for our acceptance. We have the testimony of the hostile George Harvey that business men were strongly enlisted behind the League idea, and that "bankers noticeably and capitalists, though less aggressively, seemed to be literally unanimous in their advocacy."

Yet inertia, partisanship and, perhaps most important of all, mere prejudice, finally carried the day. The extent to which adroit appeals to German sentiment, Irish sentiment, Italian sentiment, Polish sentiment, and the like were allowed to divert attention from the true merits of the issue and to furnish support to the irreconcilables, throws an unhappy light upon the quality of our democracy. It was not only the Senate that flagged and turned away from the vision Wilson had held up, but a great part of the American people.

Had the Democratic leadership been quicker and more astute, or had public sentiment expressed itself with the force which so great a crime deserved, all the adverse factors might have been overcome. The strategy of Lodge was adroit, but he was playing an essentially false part, and it could have been exposed. One mishap after another befell the friends of the League, but none was necessarily fatal. There was the mistake of Wilson's appeal for a Democratic Congress in the elections of 1918, which provoked partisan wrath and gave him a Republican Senate instead. There was the divergence between Wilson and Lansing, with all the harm it did when advertised in the Bullitt episode. There was the unhappy fact that Wilson could not be negotiating peace in Paris and rallying public sentiment in America at the same time. There was the crowning misfortune of his break-down, accentuated by the bad quality of the advice that he received while isolated in his sickroom. There was the circumstance that the last stages of the treaty contest were fought under the shadow of the impending Presidential election, with all which that meant in the evocation of partisanship.

Seldom has any great national proposal been dogged with more consistent misfortune. The day might have

been redeemed by gallant fighting or by a firm display of the national temper, but it was not. Worst of all, the defeat was finally ratified, as it seemed, by an election that really involved a dozen other factors, but that placed in the Presidency a weak man who yielded without a struggle to the irreconcilables.

It was not a real decision upon the merits of the question, and it hence cannot be accepted by friends of the League as in any way final. In the course of his book Mr. Fleming finds occasion to quote the ringing words of Herbert Hoover in his Stanford University address of Oct. 2, 1919, in behalf of the League. "Our expansion overseas," said Mr. Hoover, "has entangled us for good or ill, and I stand for an honest attempt to join with Europe's better spirits to prevent these entanglements from involving us in war. We are not dealing with perfection, we are dealing with the lesser of evils. There are reasons of interest. There are also reasons of idealism, and true national interest lies along the path of national ideals. * * * For us to refuse to enter into a joint attempt with the well-thinking sections of a large part of the world to establish a continuing moral conscience against war is the utmost folly in our own interest." These words are not a whit less true now than when they were uttered.

Some observers, including Señor Madariaga, have thought it fortunate for the League that the United States has not been a member during its first years. However this may be, American cooperation has attained such proportions that we are now far from absent at Geneva. Two years ago Secretary Kellogg stated that we had sent official delegates to about twenty-two League conferences and unofficial delegates in an advisory capacity to more than twenty other League meetings. Only a few months ago an American sat with the League Council to deal with the Manchurian situation. The League, as Mr. W. E. Rappard has pointed out, may be said to function in three capacities. One is as an executor of the treaty of Versailles, which involves a slow liquidation of the war. Another is as a centre of important international endeavors affecting labor, finance, world health and a hundred other problems. The third is as the principal agency for the prevention of future wars. With all three functions the United States has come to have closer and closer contacts, and to the latter two it has lent the heartiest assistance. The time will arrive when it must frankly and fully take its place in an organization which, while it has not satisfied all critics, has proved an indispensable centre for the new spirit of world solidarity.

Aliens in the Deportation Dragnet

By JANE PERRY CLARK

Author of "Deportation of Aliens from the United States to Europe"

DEPORTATION of aliens whose presence in the United States is believed to be undesirable is not new, but it has become increasingly emphasized as a panacea for our economic difficulties, particularly unemployment. "Send the unnaturalized aliens out of the country!" is the cry. "Let them go home so that our citizens can have their jobs!" The Secretary of Labor and the Commissioner General of Immigration have even gone so far as to assert that deportation work is the most important function of the Bureau of Immigration in the Department of Labor. Each year efforts have been made to increase the deportation record, until the total of "undesirable aliens" sent from American shores during the last ten years has reached 105,782. In 1931 alone 18,142 were actually deported, while 11,709 left voluntarily in compliance with deportation orders.

Who constitute the long, steady procession of those forced to leave the country? For practical purposes, there are two principal classifications—those who may be deported within five years after their entrance into the United States and those whose deportation may be ordered at any time, regardless of their date of entry.

The first group includes all who might have been excluded on entry—those with physical or mental disabilities which were undetected at the time of admission, contract laborers, illiterates, persons liable to become public charges and so forth. For instance, a man admitted with a cough but not discovered to be tuberculous until some months later may be deported at any time within five years after entering the country.

The second group is the larger and socially more important. It contains the many aliens who sneak into the country undetected, those who within five years of coming to the United States have become public or semi-public charges, those guilty of crimes in the notorious "moral turpitude" category, aliens connected with prostitution or brought to the United States for an "immoral purpose" or involved in the narcotic traffic, and anarchists and extreme radicals—a class specifically defined in the law. All these must go, once deportation proceedings have started, no matter how long they may have been in the country. If a girl who was brought to the United States as a baby and who lived here continuously until the age of 20 should then become a prostitute she would be liable to deportation to the country of which she is a citizen.

Unfortunately, the classifications are not as simple as they seem, and to the courts has fallen the thankless task of interpreting almost every word of the crazy quilt of deportation law. For instance, "entry" has been defined as *last* entry, so that if a foreigner resident in the United States for thirty years but never naturalized should cross the Niagara River to the Canadian side for a few minutes to see the Falls he would be considered as "entering" the country on his return. Should he become a patient in a public hospital within five years of that excursion he could be regarded as having become a public charge within five years after entry, from

causes not shown to have arisen since that admission. As a result, he might face deportation to the country whence he had come thirty years ago.

Another illustration of the difficulty of interpretation is found in the different court definitions of the words "liable to become a public charge." In some cases the courts have ruled that a person to fall within that category must appear likely to become an occupant of an almshouse; in other cases it has been decided that the words do not apply solely to pauperism but extend to evildoers generally. Thus it has been held that a persistent violator of the prohibition laws is likely "sooner or later to get into jail, where he would be a public charge."

Confusion becomes worse confounded in the attempts to clarify the meaning of "moral turpitude." Here numerous interpretations have been evolved, ranging from Will Rogers's "telling the truth when you ought not to" to the more legalistic distinctions laboriously developed by the courts, for example, that violation of the Volstead act involves moral turpitude, whereas violation of a State liquor law does not. The geographical factor is important in determining the definition, since in at least one State aggravated assault and battery involves moral turpitude, while in another it does not.

Any alien who has been convicted or admits the commission of a crime involving moral turpitude before arrival in the United States is deportable whenever his criminal record may come to light, even if he should have been pardoned in the country where the crime occurred. It is even possible for a crime committed before the alien's arrival in the United States to have been committed in the United States. In one instance, an alien who arrived in 1913 and lived here eleven years was convicted of having, as a bankrupt, concealed assets. After serving a sentence of eighteen months in prison, he became a taxicab driver in Buffalo, N. Y. Although he returned the same day after taking some teachers across the border to Canada, he became liable to deportation for conviction of a crime involving moral turpitude before entering the country. Yet the commission of the crime and the conviction for it took place in the United States.

If, after admission to the country, a person is sentenced to prison for a term of a year or more, because of a crime involving moral turpitude — whatever that may be — committed within five years of entry, he may be deported. But an alien, no matter when he entered the country, is liable to deportation at any time if convicted of moral turpitude and sentenced to prison more than once for a term of a year or more.

While the law in regard to becoming a public charge and crimes of moral turpitude is vague and inconclusive, in the case of radicals it is quite definite. During a war or a period of national distress it may be invoked to the fullest extent. In 1919 and 1920, the time of the "great fear," strong-arm methods were used to rid the country of all types of alien radicals. But the "return to normalcy" and the rise of "prosperity" diverted attention from political dissenters and stimulated greater respect for the "due process of law" clause in the Constitution. Thus only fifteen aliens were deported between 1926 and 1929 because of radical activities. Hard times, revived fears of the economic competition of Soviet Russia and the investigations of the Fish committee, however, once more directed attention to radicals and their ways. Raids were resumed on places frequented by aliens in the search for "undesirables" liable to deportation, and in 1931 eighteen radicals were sent out of the country. Apparently the campaign against the radical element varies to the extent that political and economic events in America intensify or moderate the fear of subversive ideas. At any rate the Department of Labor promises continued activity in this field.

Most numerous and most baffling

of all deportation problems are those connected with illegal entries. Long stretches of desert and mountain and a shallow river on the Mexican border, mile after mile of farm-land, river and lake on the Canadian frontier, thousands of miles of coast-line from Maine to Florida and from Washington to California have offered easy access to aliens who have resolved by fair means or foul to enter this country. The increasing restrictions of our immigration law have made it all the more necessary to attempt to stem the tide of surreptitious entry by strengthening the border patrols. Yet it has proved well-nigh impossible to prevent aliens from entering, and the need for more effective barriers is greater than ever. Because it is a penal offense to enter the country illegally, border county jails have often been grossly overcrowded with those awaiting trial or serving sentence.

The simple and direct wording of the law, that any deportable alien "shall, upon the warrant of the Secretary of Labor, be taken into custody and deported," gives but little hint of the complexities that have developed in administration. It is this question of method which has recently attracted so much attention and concerning which the Wickersham report on deportation states: "The apprehension and examination of supposed aliens are often characterized by methods unconstitutional, tyrannic and oppressive." In all cases the procedure is purely administrative, highly centralized within the Department of Labor in Washington.

A person trying to cross the border may be caught by the border patrol; a man's next-door neighbor may take a dislike to him and denounce him as a possible deportee; a hospital in which a woman is a patient may inform the authorities that she is deportable. In all cases the local immigration officials are supposed to accept the complaint, whether anonymous or otherwise, and investigate. Sometimes the immigration inspectors, in company with the local police, have raided peaceful dances or reading rooms in the search for aliens, but this is a procedure condemned by all upholders of constitutional rights. Because of the various methods by which aliens may be reported to the authorities, much depends on chance as to whom the arm of the law strikes.

A person held as a possible deportee is first of all asked to make a statement as a preliminary to securing all the necessary information on the case, which may later be complicated for the officials by the appearance of a lawyer. As soon as the preliminary statement is taken the inspector applies to the Bureau of Immigration in Washington for a warrant of arrest, and if there is danger of escape the application goes by wire. Usually the local police hold the alien as a "suspicious character" until the warrant is received, unless he is in an institution. But this detention or surveillance of suspected deportees by the police is at best a highly dubious procedure. When the warrant of arrest arrives from Washington the alien is permitted to engage a lawyer, but because of poverty, fear or other reasons only a small percentage of the cases ever have legal representation.

The hearing to determine probable deportability is informal and is held wherever the alien happens to be. The inspector acts as interrogator, prosecutor and possibly as interpreter and clerk. Since deportation is not punishment for crime, the hearing is conducted without the usual safeguards of criminal procedure. Thus the very informality may deprive an ignorant alien of proper protection and give him a minimum of opportunity for defense. On the conclusion of the hearing the record is sent to Washington for decision of the Secretary of Labor as to deportability.

This decision is reached by a method prescribed neither by statute nor by regulation. A board of review of from five to ten members was appointed within the department to make rec-

ommendations. More recently the pressure of cases has been so great and criticism of deportation methods so constant that a second board of review was appointed in September, 1931, and, later still a third. Sitting as a court, these boards examine the records and allow the appearance of lawyers or other representatives of the alien. To all intents and purposes the action of a board of review is final. The two assistants to the Secretary of Labor—the chairmen of two of the boards — actually sign the decision, though on occasion they consult the Second Assistant Secretary of Labor.

When deportation has been ordered, a warrant is sent from Washington to the local officials. Meanwhile the alien waits in jail or in an institution, although in some instances he is allowed freedom. If he can show that he is illegally detained, he may apply to the nearest Federal court for a writ of habeas corpus. Only a small proportion of cases ever reach the courts, for in only few instances of detention can anything be shown that the courts consider irregular; and it is seldom that the alien can afford the expenses of a court trial. The consequence is that aliens — men, women and even children — awaiting deportation continue to crowd the jails, often merely through lack of other detention facilities.

However anxious the authorities may be to rid the country of "undesirables" with all possible speed, the United States cannot deport an alien unless some other country is willing to receive him. Often it requires considerable time to discover what country will take him, and luckless persons have been known to be kept in jail a year or more until they are recognized as citizens by the foreign governments which will undertake to issue passports for them.

The refusal of the United States to recognize Soviet Russia has peculiar effects upon deportation. Without diplomatic representation, facilities are lacking for the issue of passports; except in those rare instances where a Russian has a valid, unexpired Soviet passport, deportation to Soviet Russia is impossible. Armenians are affected by a similar situation; as a rule, an Armenian who has once left Turkey may not return there, and so may not be deported to that country. Nor may expatriated citizens of other countries, such as Germany, be deported, for they have lost their citizenship.

The varying national complications play infinite variations on the passport theme. Thus a girl born in Germany of Austrian parents was brought to the United States and, at the age of 18, became insane. Because of the German and Austrian laws which gave her the citizenship of her parents, she was sent to Austria, where she had never been at any time. A Czech woman living twenty years in the United States and married to a Cuban could not be deported to Czechoslovakia on becoming tuberculous, but was sent to Cuba because, according to the laws of Czechoslovakia and Cuba, she had taken the citizenship of her husband. Numerous complications have arisen with Canada and Mexico because of their proximity to the United States. For example, an Englishman lived in Canada from 1890 to 1925 and after two years in the United States lost his Canadian domicile. Yet he was deported to England, which he had not seen for thirty-five years.

Diplomatic red tape and long drawn out investigation may cause interminable delays before passports are issued. Nor is deliberate procrastination by representatives of foreign governments unknown. Often an investigation which may consume many months must be made in the alien's country. A request for a passport may go from the Department of Labor to the Department of State, to the legation of the foreign country in Washington, to the Foreign Office of that country, to some town in that country and back again through the

same channels before authority is granted for the issue of the passport. Meanwhile, the unfortunate alien may be held in jail with criminals, although he himself may be no criminal at all.

As soon as arrangements for deportation are complete, the alien in the case is put on one of the special trains which periodically wind their way throughout the United States, picking up the ill and insane, the criminals, the illegal entries and all the rest who compose the motley assembly of from 300 to 400 who finally reach the port from which they are to depart. If the destination is Canada or Mexico, the deportees are taken to the nearest place on the border and released. Those among the party who are ill, mentally or physically, present tragic problems. Before they leave this country they must have a certificate from the institution where they have been confined that they are able to travel without danger to life, though at least one case is on record in which a person was deported despite a report to the contrary. Then the master of the ship on which the deportees travel must send back a report of their daily condition during the voyage. Furthermore, there must be a report of the arrival at the final destination in the foreign country, and this report must be signed by a relative, police official or director of the institution to whom the alien is taken by the attendant provided to accompany him home.

Except in a few isolated cases, the deportee drops into the void as far as the United States is concerned. Deportation for him is banishment, for he can never legally return to the United States. Even for a mere technical violator of the law, even for a person whose home, family and business connections are in this country, even for those with American-born children or families, no return is possible. So great are the hardships entailed by this drastic law that since its passage in 1929 the Secretary of Labor and the Commissioner General of Immigration have repeatedly requested permission to grant exceptions. To mitigate particular hardships they have developed the practice of withholding an order of deportation or withdrawing it when issued, if the alien involved has an American-born wife or children or both. In such cases, the alien is given a definite time within which to leave. Thus a measure of administrative relief, not sanctioned by statute or regulation, has developed with silent assent from a law which can oppress not only aliens but American citizens as well.

This is only one aspect of the laws relating to the deportation of aliens which needs revision. Simplification, clarification and especially codification into one comprehensive and clear statute have become a crying need. Among the many possible changes in procedure, the need for more adequate review is one of the most urgent, and for this the establishment of an independent board of review, similar in organization to the board of tax appeals, has been suggested as a method whereby fundamental rights may be more fully protected. Only when we realize that the alien in the United States is the product not only of the country from which he derives his legal citizenship but also of the country in which he makes his home can there be a real attempt to deal with the problems of "undesirables."

The Soviet Idea in Literature

By JOHN COURNOS

[Born in Russia, the author of this article has lived in England and America since boyhood. Besides contributing to periodicals here and abroad, he has written poetry, plays and novels, the most recent of which, *The Devil Is an English Gentleman*, has just been published in New York.]

RUSSIA is a land of literary controversy. It has been so since the days of the great critic Belinsky, when Pushkin and Gogol ushered in an epoch of poetry and prose now commonly referred to as the "classic" period. But the literary controversies which have been raging since the institution of the Soviet régime have relegated all past controversies to the category of petty skirmishes. As for what goes on now --well, it is real war and revolution.

But it is difficult to subjugate minds. Five-year or even ten-year plans will not quite work here. One must begin, as Voltaire said of a child's education, with his grandmother. The time will come, however, when the stiff-necked older literary generation, nurtured on pre-war ideas, will have passed away, and its place will be taken by true proletarians, fostered from childhood on the Marxian doctrine. Then, perhaps, Russia may have the literature its doctrinaires desire. In the meantime we may expect literary Galileos to persist and, while outwardly subscribing to the tenets of the Soviet faith, to murmur heretically under their breaths: "But it does move."

What does the Soviet régime expect of its writers? In the first place the Soviet writer must not only think proletarian, he must *feel* proletarian. Art, in general—even the Soviet critics realize this—must be more a matter of feeling than of thinking, if it is to *move* the average man. "Workingmen of the world, unite! You have nothing to lose but your chains!" is not merely the statement of an intellectual who has arrived at an academic conclusion in his study; it is an emotional doctrine, the battle-cry of a "prophet," designed as thought for translation into action. Theoretically this does not imply that plays, poems and novels shall be of a direct propagandist nature. On the contrary, Marxian critics, following the lines of esthetic doctrine developed by Plekhanov, the chief exponent of Russian Marxism, emphatically assert that the true proletarian writer--provided, of course, that even as his bourgeois brothers, he possesses the necessary technique—interpret in "artistic images," no less than a Dostoievsky or a Tolstoy, the true character of his class and the underlying ideas which move it. The ostensible purpose of such a delineation is not only to show the nobility of the Bolshevist experiment but also to stir readers to emulation.

In the second place the new literature can no longer express the longings and ideas of the individual. Just as in the world of industry the whole tendency is toward collectivization—collective farms, collective communal dwellings, and so forth—so in literature, the Marxian critics assert, a play, a novel or a poem must portray the mass, the mood of a whole people, a unity of purpose such as is evident in the Bible, in Homer or in a Gothic cathedral of the Middle Ages. They argue that art reflects the life of a people and that the anarchic art of

Europe, in which there are almost as many tendencies as there are artists, is a clear indication of Europe's fatal division, and that such movements in art as classicism, romanticism, symbolism and art for art's sake are merely so many aspects of Europe's decadence. A healthy art, furthermore, voices the soul of a whole people.

"Where do we come in?" cried one critic at the beginning of the revolution. "We have overthrown the bourgeoisie for its weakness, and with our own strength and will we have overthrown a political system; why should we not also overthrow their art system?" And only lately the editor of the militant periodical *Oktiabr* (October) declared: "We are building huge factories, new colossi of proletarian industry; we are building them on a new basis; but have we, proletarian writers, presented the history of the construction of socialistic industry?" Communist party resolutions, moreover, demanded a bold, decisive break with "the preconceptions of the gentry in literature" and at the same time urged the putting to use of "all the technical achievements of the classics," with the idea of working out "a corresponding form, understood by the millions."

A writer is no longer an individual writing for individuals, but one of a million, whom he must resemble, writing for a million. Hence, he is advised not to remain in his room and write of haphazard experiences, after the fashion of the Western writer, but to enter the factory and write of the workers, for the workers, regardless of the fact that writing in itself is a labor which, moreover, requires considerable proficiency and, therefore, not a little time for its mastering. It has been said of Herman Melville that he often sat a whole day before his paper and only at 4 o'clock in the afternoon began to write. How, it may be asked, would the Soviet critics solve a problem of this kind, to mention only one of the many problems?

In the third place, it is urged upon the Soviet writer that he permeate his work with will and optimism and eliminate all qualities which might tend to weaken the worker. Five-year plans need will and optimism, and the creative writer is asked to do in his writing what the workers are doing in the world of industry. The Russian, as pictured in the books of Dostoievsky, Tolstoy and Chekhov, was an indolent creature given to much talk and to drinking tea and vodka; if he ever worked it was rarely mentioned; nor do we read of marvelous exhibitions of will power. As for being cheerful, that certainly was the last thing we looked for in a Russian novel. Suddenly all this is changed. The Russian works as no man on earth, and tea and vodka are rather scarce; none exhibits more will than he; and he is more cheerful about the future than Pollyanna.

If art is really the reflection of life, say the critics, it is not enough that the transformation already achieved should find adequate expression in literature. The artist, it is assumed, not only expresses a new order but, if he follows the law of "dialectic materialism"—as, of course, he should—he projects the order yet to come. "Realism," said Plekhanov, "cannot be called true realism if it presents reality in a congealed form and avoids those new appearances and impulses which should lead to a change in this reality." Thus, the creative artist is expected to adopt the attitude of continuous change as the philosophic basis for his art—not a new idea, if we take into account a whole succession of philosophers from Heraclitus to Bergson, except as modified by the acceptance of the general principle of the materialistic conception of history. Such an attitude, according to Plekhanov, "appears as a logical consequence of that lofty valuation of the historical process itself and of the general optimistic attitude toward the

history of humanity." If we interpret this rightly it means that we need not consider capitalism as necessarily an evil, since its logical development and outgrowth are collectivism and communism!

The bourgeoisie, on the other hand, have no such comforting doctrine. They find themselves, avers the critic, in the unfortunate position of decline, and changes can affect them only for the worse. "In order that it might go forward, it must descend still lower." Futurism and kindred pre-war art movements were symptoms. The Russian Futurists may have believed themselves to be the advance-guard of the artistic equivalent of social revolution; they were, in fact, implies Plekhanov, the straggling rear-guard of the bourgeois retreat.

Optimism, then, being an essential condition of Communist art, based on the idea of rebirth, with the implied concomitant factors of youth, energy and faith in the future, the Soviet critics have been asserting that not Tolstoy, Pushkin and Belinsky must be the starting-point of the new literature, but Lenin, the creator of new Russia, the man of optimism and of dominant will. He must be at once the hero and the myth for the creation of the new art, only awaiting a new Homer to find adequate form. Did not Plekhanov prescribe a dose of Homer as salutary, because the "impression of freshness, reality and health" which Homer's poems give results wholly from the fact that they "imitate and reflect the *popular* healthy creativeness, the creativeness of the young classes"?

After all, if collectivization is desirable and unity of purpose is the end, it follows logically that, as Homer created an army of heroes, the great Communist writer must do likewise. Putting leaders aside, he must create an army of little Lenins and little Stalins, men of will unitedly hewing out a glorious destiny, using farm tractors instead of spears, hammers in place of bow and arrow, and building dams instead of fortresses. Even now workers are being called "heroes" or "brigadiers," while the most energetic receive the Order of Lenin, as soldiers elsewhere receive the Victoria Cross. This idea of "heroism" is ingrained in the plans deliberately made for new literary creation.

Such, in general, is the theory of Communist art. What of the practice? Practice, of course, is a different thing. The first difficulty encountered was a deficiency of technical skill among proletarian writers. Lack of skill, in some cases, might be overcome by talent, but that also was absent. The early years of the dictatorship were marked by a flood of books containing nothing better than propagandist clap-trap. Subsequently, even as in industry it was decided to retain bourgeois engineers, so in literature it was resolved to permit a certain freedom to the *poputchiki*—bourgeois writers who accepted the economics and politics of the new régime without really being able to transform themselves into true proletarians, at all events, in the matter of feeling. It was hoped that these excellent literary craftsmen, trained in the best bourgeois traditions, might provide the necessary tutelage for the young proletarian writers who were growing to maturity. Possibly in time the bourgeois mentors might be drawn into the common stream of proletarian culture.

It must be remembered that most of the themes among which the Western writer may roam at will are taboo for the true proletarian. He is not allowed to indulge in individual whims. Such literary tendencies as the romantic, the erotic, the religious, the mystical, are all closed to him. Nor is he allowed to invoke the subconscious, because no other power is acknowledged except that of the conscious will, capable of complete decision and action. The effort of one or two scholars to reconcile Freudism and Marxism under the name of Freudo-Marxism has signally failed, and has caused the authors of

the idea to be rapped sharply over the knuckles. You cannot serve two masters under communism. This may or may not be a good thing. The point is that choice of subjects is narrowed to a few, all having the same end—the glorification of labor, of the machine, of revolution. You may want to write a love lyric to a girl, but you must, in fact, write to a factory chimney—that is, if you have any expectation of having it published.

Pilnyak's *The Volga Falls to the Caspian Sea* is commonly regarded in America as being an example of orthodox Soviet fiction; actually, it is not. Pilnyak, it is true, glorifies labor and the worker; but he also introduces women characters who smack strongly of Turgenev, Dostoievsky and Tolstoy. A prominent Soviet critic, B. Aikhenwald, thus speaks of his work: "Before us is a writer with unhealthily involved intellect and emotions, with an inclination toward problems in the spirit of Dostoievsky, touched with decadence—a writer of that group of the intelligentsia, which 'accepts' the revolution but does not understand it and reflects it distortedly and remains organically alien to it."

Dostoievsky, in particular, with his gift for "many-voicedness," as it is called by Lunacharsky, author, critic and former Soviet Minister of Education, has been the bane of the critics of the extreme Left. It is not alone because Dostoievsky has this superb polyphonic gift which enabled him to become the supreme recorder of the "multiple-voiced" chaos created by the capitalist régime that he is so much detested, even though his genius is frankly admitted. Gorky gave the game away when he attacked the greater man for his "reactionary tendencies," for his glorification of submission and suffering. "A poisonous genius. * * * He was pitilessly beaten, and he took pride in it." This, of course, will not do, if you happen to be on the side which fully intends to make the other man—some poor devil of a bourgeois—submit and suffer.

A little over a year ago Dostoievsky was the subject of a fierce controversy which lasted several months and whose echoes have not quite died away. A popular professor by the name of Pereverzev, who gathered a group of admirers around him, wrote a book on Dostoievsky in which he had the boldness to assert that he never looked in his books for the author's political or religious opinions and that to look for these in an artist was as absurd "as to demand boots from a pastry cook." The artist, Pereverzev maintained, created life, and not systems; he did not discuss and argue, but lived in his imagination, now in this character, now in that, in this or that circumstance. Assertions of this nature brought a storm about Pereverzev's head, all the more as the bold professor declared that they were by no means incompatible with the credo of "Marxian criticism."

The RAPPS and the MAPPS—as the Russian Association of Proletarian Writers and the Moscow Association of Proletarian Writers are known—came forward with what was tantamount to a declaration of war on all such heresy. The terms they employ are eminently militant. They speak of the "literary front," of "mobilization," of the "shock-battalions of the cultural revolution," of "conquest." One of their periodicals is aptly called *At the Literary Post*. The editor of *Oktiabr,* whose first aim has been "to reject works with an individualist psychology, works of personal experience with a great cult of personality," declares that this ban on works with a bourgeois tendency quite frankly involves "the works of gifted writers" and works generally which "do not respond to the mood of millions of working people." He urges writers to go into factories, and asserts that "the bolshevization of criticism is our fundamental problem."

We have a sample of this criticism in a recent issue of *Novy Mir* (The New World). L. Axelrod-Ortodox, the critic, writing on "Proletarian Art and

the Classics," formulates the materialistic principle with regard to well-known works treated by "bourgeois" critics from quite another point of view. For example, the Western world has always regarded *Romeo and Juliet* as "the highest possible form of romantic love experienced by two young persons," and the tragedy has been examined "exclusively from this point of view." No, says Axelrod-Ortodox: "Actually, the young heroes of Shakespeare die not from love itself but from the absence of social freedom. * * * Although literary historians cannot help giving some attention to the hostility between the two influential, aristocratic houses, this motive remains in the shadow and the motive of love alone is put forward. Actually, then, *Romeo and Juliet* is the tragedy of the absence of freedom and not the tragedy of love." With regard to Goethe's masterpiece, we are told: "One cannot doubt that Faust would not have conducted himself so shamelessly with a princess as he had with Gretchen."

Whether criticism of literature from the point of view of economics will help the creative artist I leave to the reader. So far it has produced nothing of note in Soviet Russia. Much ado was made about Gladkov's *Cement*, a Soviet novel available in English; but, after all, is it anything more than fictional pamphleteering? Not only are the *poputchiki* having a hard time to meet creatively the demands of Soviet criticism; even Vsevolod Ivanov, a proletarian by birth and inclination, a man whose life out-Gorkied Gorky in proletarian adventure and in the sheer struggle for existence, was not long ago charged by the critics with being reactionary. I have an idea that this artist, who is the author of so many fine stories, has written his recent novel, *A Journey to the Land Which Does Not Yet Exist*, to reinstate himself. A prosaic, realistic tale about a quest for oil, ending on the optimistic note so essential to good Communist art, the work is disappointing as an artistic creation.

On the other hand, Leonid Leonov, a splendid writer, of peasant origin, who has been a backslider from the start, has lately won the favor of the Marxian critics. I have not seen his recent work; his *Thief*, a superb novel, available in translation, obviously belongs to tradition; it is quite bourgeois in conception and execution. There is yet no writer of Soviet fiction of the stature of Gogol, Tolstoy or Dostoievsky.

Meanwhile the *poputchiki*, being all too human, are becoming more and more subjected to strictures which they cannot possibly escape. For a time they produced meritorious work, but, excluded by their masters from a normal expression of their creative faculties, they have, if anything, degenerated in their product. At a recent conference they and their protectors, Marxian critics of the Right, were taken to task for their failure to live up to expectations. They have not been found worthy of membership in the VSSP—the All-Russian Union of Soviet Writers—the way station for those wishing to attain the yet more considerable honor of membership in the RAPP. A number of gifted writers participated in a series of fierce discussions following the attack; the two chief adversaries were Selivanovky, speaking for the Left, and Polonsky, the patron of the *poputchiki*. Polonsky, though a strong Marxian, made a powerful plea for his protégés. His speeches in their defense lasted for hours. The tasks of the *poputchiki*, he asserted, were infinitely difficult, because communism was creating a new people with a new psychology and new perception; it was not an easy thing to understand and describe the reconstructed being in terms employed by the old bourgeois writer. "The new hero," in Soviet literature, "the doer of deeds, the enemy of phrases, the soldier of the revolution," he proclaimed, "has not yet

found form in art. Literature must try to find a form for him."

The more sensible critics do not believe that an authentic literature can, like industry, be achieved by a five-year plan. A few years ago the critic Voronsky asked the question, "Will there be Tolstoys, Gogols and Dostoievskys in our transitional time?" And he answered, perhaps in the only way that it can be answered: "Our minds, talents and wills are for the present too deeply absorbed by the social struggle and reconstruction." He added that it might be some time before a Soviet artist would appear with sufficient genius to interpret the epoch "synthetically."

The literary dictators by no means limit their concern to the region known as the Soviet Union. They keep an ever-watchful eye on writers abroad and entertain great hopes of converts. They already have Henri Barbusse, Romain Rolland and Bernard Shaw and a host of lesser lights. They are careful, however, to keep their converts in their place and do not hesitate to rebuke them when necessary. Over a year ago, at the conference of the International Union of Revolutionary Writers, Barbusse was reprimanded for heresies in his journal *Monde*, and, more recently, Bernard Shaw was advised by a writer in *Krasnaya Nov* ("Red Virgin Soil") that his past had been full of bourgeois errors, that he had not been at all an authentic Socialist or an authentic foe of the old order, that he had much to learn, that he must leave the path of a "petty mutineer"—in short, disown his whole Fabian past and demonstrate by deeds of zeal his qualifications as a Communist.

Even greater concern is shown for the younger writers abroad who show the correct tendency, and it is urged not only that strong proletarian literary organizations be organized to keep in touch with the powers at Moscow but that these organizations be employed to win over those writers who have written against the bourgeoisie but have not yet declared their allegiance to communism. Actually, this allegiance means more than pen service. "Today we are working at the typewriter," declared Bella Illés, the secretary of the Kharkov conference, "but we must realize that tomorrow it may be exchanged for a machine-gun. Today our weapon is the pen, but tomorrow it may be exchanged for a rifle."

From College to Breadline

By T. SWANN HARDING

LAST Summer the present writer visited several American and Canadian universities. Hard times were affecting them all; appropriations and endowments were in danger; students, in reduced circumstances, were no longer taking full schedules, while those about to graduate were unable to find work in the fields for which they had been trained. In one engineering school alone, of eighty recent graduates, only four have found employment. The rest plan to continue studying at the school. Students are faced with the dilemma of accepting employment in lines for which they are unprepared or of going from college to the breadline. One other choice is possible—that of continuing at the university, working for a Doctorate of Philosophy and thus adding to the existing oversupply of Ph. D.'s.

For several years one of the major industries of the United States has been the mass production of Doctors of Philosophy. As by-products in this manufacture are the less favored Masters and Bachelors of Science and Arts. Far more important than native intelligence, the divine fire of research ability, personal and intellectual teaching qualifications, or distinct talent has been that peculiar type of passivity and mediocre conventionality that enabled an individual to step into the hopper of the Doctor of Philosophy machine, later to emerge properly stamped and certified. Today the aspiring student has greater regard than ever for these higher degrees—not so much because of their intrinsic value as because working for them will defer the day when the student, as a graduate, must struggle for a job that is all but non-existent.

In 1880 there were in America 687 male college graduates 20 years old or over per 100,000 males; the figure was 710 in 1890, 745 in 1900, 875 in 1910, and in 1920 had become 1,137. Since 1815 more than 496,000 degrees have been granted by our institutions of learning—over one-half of them since 1900. Of living male graduates on June 1, 1920, over one-half received their degrees in the years after 1905. This means the addition of a large, dissatisfied element to our population, because positions to accommodate these trained minds do not increase fast enough.

Between 1900 and 1930 the population of the United States grew from 75,594,575 to about 123,000,000. During the same period the number of doctorates in science increased from 102 in 1900 to 1,055 in 1930. In chemistry alone, for example, the number of degrees grew from 26 in 1900 to 309 in 1930. The following table, showing the doctorates conferred by leading universities, illustrates this change in perhaps a more striking manner:

	1900	1910	1920	1930	1898-1930
Chicago	19	24	43	94	1,367
Wisconsin	1	13	24	86	712
Cornell	11	27	35	80	986
Johns Hopkins	20	15	21	58	862
Michigan	1	1	9	53	407
Minnesota	1	1	4	53	310
Ohio State	..	..	6	50	249
California	1	4	14	47	513
Columbia	12	11	25	44	945
Illinois	..	9	22	43	491
Yale	10	12	23	43	698
Harvard	15	10	28	40	735

In the words of an expert: "Not only is this business of making Ph. D.'s one of the major industries; it begins to look as though we were

taking on the airs of mass production." Not long ago an eminent Columbia professor had twenty-seven candidates for the doctor's degree working under him at one time. We have over 150,000 graduate students under discipline in our universities, and about 20,000 college and university graduates enter active life each year. Of the 1,367 Ph. D. degrees granted at Chicago, however, over half the possessors went into college teaching or administrative positions, and when facts are assembled much the same story is told by other universities. Too many doctors are being produced and less than half of them reach or attain the lofty heights of high research for which they are destined. And it is authoritatively stated that "few scientific men in America can either write or speak effectively."

In view of these facts no wonder Professor H. F. Clark of Columbia University called attention but recently to the evil effects of mass education in law, medicine, engineering, ministry, dentistry, architecture and science. In four years the colleges can graduate enough young men to take the place of half the number of those actively engaged in those professions. A surplus had already appeared before the business depression accentuated its effects and competition within the professions was forcing down salaries. Professor Clark also significantly added that "the boy with ability will get to his destination in the business world regardless of an education," and that professional supersaturation can be avoided only by the diversion of clever young men into business.

But since this suggestion was made, business has become a far less promising avenue of escape for the highly educated. An examination of scientific and educational magazines discloses that the scouts who have gone forth annually from industry to the universities, searching for likely material among the new graduates, appear less often and have fewer openings to offer. When to this situation is added the fact that academic work is seriously hampered by a decrease in funds, the immediate future of 1932 graduates appears to be very gloomy. Perhaps teaching offers a way out. *The New York Times* on Dec. 6, 1931, quoted the National Education Association as saying that the nation still lacks 7,500 trained teachers—although there is an oversupply of 27,500 licensed but low-quality teachers. In the United States there are approximately 822,000 teaching positions with an annual turnover of about 100,000; yet many States whose teachers are poorly trained are compelled to borrow good ones from other States.

Professors Bossard and Dewhurst of the Wharton School of the University of Pennsylvania, in their recent report, *University Education for Business,* actually state that "management and selling stand out as the most conspicuous functions which college men and others holding responsible business positions are called upon to exercise." They declare that about 650,000 attractive positions in business and public service are available to graduates of business colleges, though only 23,000 college men annually begin business careers. Furthermore, "although a certain minimum of intelligence and education is required for success in executive and selling work, above this minimum there is no significant correlation between these factors and financial success." While these remarks have more pertinency in normal times, they are of interest here as marking a trend that has existed for some years.

The average intelligence of executives and salesmen is somewhat below that of men engaged in research and analytical work, while employers are "sometimes reluctant to engage the most brilliant scholars." Employers most desire personality, a mere by-product of university training, denounced by faculties as a deterrent to scholarship and acquired, if at all, in dubious extra-curricular activities. A striking

difference is evident here between business requirements and the ordinary objectives of college and university education. There is more than a suggestion that a solution depends upon the organization not of universities, but of schools unconnected with universities, which will be capable of giving to the prospective business man the vocational training he needs, and which at the same time will effectually divert many individuals from a path which now leads them to the professional market upon the attainment of an academic degree.

Further evidence can be adduced easily. A professor of given rank who received a salary of $2,000 in 1900 should, in the nature of things economic, have received $6,000 in 1925. Yet, while the income of citizens in gold dollars increased on the average 200 per cent between 1900 and 1925, that of professors increased only about 100 per cent. Assistant professors were not so fortunate; their increase was about 87 per cent. In 1926-27 the average salaries paid to professors in institutions of learning of the types listed were as follows: liberal arts colleges, $2,958· agriculture, $3,149; commerce, $3,307; education, $3,438; engineering, $2,989; fine arts, $2,633; law, $5,197; medicine, $3,391; music, $2,388, and theology, $3,889.

To place this problem on a basis where comparisons can easily be made, it may be said that $3,000 a year will buy a young or unsuccessful salesman, a low-grade business department head, an almost average foreman, a low-grade associate professor or high-average assistant professor. It will also buy an army captain, a navy lieutenant, a high assistant or low associate in the professional grades of the United States Government. For $6,000 a year you can buy a low-grade assistant treasurer, a low-grade district manager, an average salesman, a good average division superintendent or assistant purchasing agent, a low-average employment or office manager, but a well-paid dean, a high-grade professor, or a high-average principal in the professional grades of the United States Government. For $9,000 a year you can purchase a major general and almost a rear admiral; you can secure a high-average district manager, a low-average controller, a high-average assistant purchasing agent, or a really good salesman. But the same $9,000 will also purchase an average college president, a high-grade dean, a very exceptional professor, the head of a large government bureau in Washington or a director of research or of regulatory work for a department like that of agriculture.

Dr. William A. Noyes of the University of Illinois concluded in 1930, after making an elaborate study of salaries paid to professors in the United States, that "the executives of our colleges and universities should redouble their efforts to secure equitable salaries for their professors." He declared also that "chemists who are employed as teachers in our best colleges and universities are receiving far less than their fair share of the threefold producing power gained by the country during the last twenty-five years." In its issues for July 12 and 19, 1929, *Science*, a representative journal of the learned professions, presented an array of arresting statistics to prove that the salary schedules of college and university professors and of scientifically trained men and women were ridiculously low. But only Harold F. Clark of Teachers College, Columbia University, really faced the facts when he wrote:

"Some one else may suggest that we need more agitation, more discussion of higher salaries. We can see no reason to think that agitation will be much more effective in raising salaries than it is in raising the price of wheat. Each farmer in the country might spend an hour a day urging people to pay $2.50 per bushel for wheat, but the talking would have

almost no effect in raising the price of wheat. As long as world conditions of supply and demand remain about as they are, people can buy wheat for less than $2.50 a bushel and no amount of talking will persuade them to pay more. As long as present conditions of supply and demand of trained or partially trained university people remain about as they are, university authorities can obtain about the present level of ability at about the present salaries, and discussion will not lead them to pay a great deal more."

Trained workers do not receive high salaries merely because they are educated and trained; in a profit economy salaries come to them only because there is a scarcity of educated and trained workers. It is necessary to relate supply and demand in this sphere of human activity if salaries in the learned professions are to be raised. For the future of science it is also more important that the supply of workers be limited strictly to those who can be placed at adequate salaries than it is to train or partially train legions of incompetents to go forth and depress the market.

These facts speak for themselves. When the salaries of men with the highest grade of professional training bear the relation they do to salaries paid in business and in industry to men of far more restricted mental training and equipment, the professions must be seriously overcrowded. Any rational reorganization of such professions as medicine, dentistry and nursing would enable still fewer workers to give more adequate service.

Although types unable to profit by college or university training could be kept out of higher educational institutions, many State universities are compelled to take the stamped and certified high school product without further ado, and even when the product is decidedly below standard. A rigid effort on the part of institutions of higher learning to separate the chaff from the wheat would also ultimately operate in such manner as to lessen professional overcrowding.

In the past thirty years there has been an increase of from 120,000 to 850,000 college and university students in the United States In the near decade there was an increase at the rate of 20,000 annually, but for the years immediately following the war the number reached 50,000.

In more recent years, however, a neap tide can be noted. During 1928-29 the rate of increase in the number of students at ninety representative institutions was only 1 per cent over the previous year; for 1927-28, the rate was only 2 per cent. Dean Raymond Walters of Swarthmore declared recently that in 1930 there was an actual increase of 3.5 per cent in the number of full-time students in approved American colleges and universities, but in 1931, the gain over the preceding year was only 0.6 per cent. Apparently at first the economic depression stimulated college attendance; young people could not find employment, so their parents sent them to college as the best way of disposing of them.

Nevertheless, since 1928, the upward surge of college attendance has definitely been checked. In addition to the business depression, causes are to be found, in part, in the decreased birth rate, restricted immigration and the limitations of the colleges themselves since they could not possibly accommodate all those who wanted to attend. With a decline in the number of students or the attainment of more fixed size, time and energy can be devoted to real educational work.

Now is the time to welcome the good, average student who has a serious purpose and a capacity for hard work. As the clamor of all sorts of young people to enter colleges and universities is stilled, heightened educational standards may be gained and at the same time the overproduction of the learned restricted so that the college need not lead to the breadline.

The Burden on the Railroads

By CHARLES FREDERICK CARTER

OPERATING revenues of Class I railroads declined more than 20 per cent in 1931 from the total of 1930, which was a very bad year; passenger revenue decreased more than 53 per cent from 1920; net income for the year was less than 2 per cent.

At first sight these facts might seem of importance only to the railroads. But the situation takes on a new and more serious aspect when it is remembered that in normal times the railroads require 20 per cent of the country's steel production, that the cumulative effect of two years of bad business has been the virtual cessation of steel consumption by the railroads and that this undoubtedly helped to bring about the deficit which the United States Steel Corporation in the last quarter of 1931 showed for the first time in 31 years. Diminished railroad revenue likewise means fewer employes earning wages to buy goods, and this in turn leads to less work in an endless list of industries, and so on in an ever widening vicious circle.

All this is so obvious that it hardly needs statement, and yet the difficulties of the railroads do not stop here, but lead to others affecting the personal fortunes of almost every one without exception, so that the question of relieving the railroads of their unjust handicaps becomes a matter of deep concern to the whole community.

How intimately the welfare of the railroads is bound up with the financial stability of the nation is demonstrated by the figures showing the extent to which our money has been put into railroad securities. Directly and indirectly, through bank deposits and life insurance policies, savings are invested to a greater extent in railway securities than in any other, except United States government bonds. Of the total of $10,703,000,000 in railroad bonds outstanding at the end of 1931, approximately $3,000,000,000 were held by life insurance companies as a part of assets protecting 50,000,000 policy holders. Mutual savings banks, with 13,000,000 depositors, held $1,700,000,000; member banks of the Federal Reserve System $987,000,000; non-member banks $300,000,000; trust companies, fire and casualty insurance companies, charitable and other organizations approximately $1,500,000,000. No wonder that the fall in price of railroad bonds—from a few points in some cases to as much as 50 points in others—has caused anxiety and even alarm. Depreciation has wiped out many surplus accounts and even impaired the capital of great institutions.

The laws of some States stipulate that bonds of railroad companies are legal investments for savings banks and insurance companies only if the companies earn at least one and a half times their fixed charges. This is a rule considered so sound that it is followed also in States which have not actually translated it into law. But in 1931 seventy-two individual railroad companies failed by $90,000,000 to earn their fixed charges, and apparently during 1932 this condition will become worse unless methods are devised to increase net earnings.

In the midst of this depressing situation the railroads this year must meet obligations amounting to $280,096,902 which fall due. These bonds

must be paid or refunded, perhaps at higher interest rates. Before Dec. 31, 1935, $1,334,265,309 of railroad obligations fall due, while by the end of 1940, a grand total of $2,451,494,136 will have matured. So much for bonds which constitute 56.1 per cent of the total of railroad securities in the hands of investors.

Stockholders are in an even worse plight than those who have invested in railroad bonds. Common stocks of forty-six important railroads are listed on the New York Stock Exchange; at the beginning of 1931 thirty-one were paying dividends, but by the end of the year only six had been able to maintain the same dividend rate. Seventeen railroads, with 182,073 shareholders, omitted dividends altogether during 1931, while eight others reduced the dividends paid to 354,945 shareholders. The average dividend rate of thirty-one common stocks which paid dividends at the beginning of 1931 was 7.26 per cent; at the end of the year the average was 2.81 per cent. Moreover, a number of preferred dividends were discontinued during the year. Even so, one must remember that never have dividends been paid on all outstanding railroad shares, in the last twenty years the percentage of barren stocks ranging from approximately 43 to 23 per cent. To cap the climax, the market value of stocks in the forty-six railroads listed declined during the year from an aggregate of $4,600,000,000 for shares having a par value of $5,763,000,000, to $1,100,000,000 at the end of the year. This loss of income and of investment value was distributed among 840,000 shareholders in Class I railroads.

Railroad labor has suffered still more severely. In 1926, the peak year for the railroads, 1,805,780 employes earned a total wage of $2,990,441,936 —an average of $1,656. By 1929 the number of employes had been reduced to 1,686,789; their aggregate wages to $2,941,000,000. In 1931 the number of employes dropped still further—to 1,285,000—and the wages paid to $2,150,000,000. At the recent conference in Chicago between the railroad executives and the representatives of the railroad brotherhoods a further reduction in pay, estimated at $210,000,000 for the current year, was agreed upon. This amounts to a reduction of $1,050,000,000 in annual earnings of railroad employes in five years, of which the greater part would have been spent among retail merchants throughout the country. That in itself is enough to make the business depression seem real. It also means that presumably 520,000 former railroad employes are now idle and earning nothing at all.

The brotherhoods, during the recent wage conference, in discussing the fixed charges of the railroads to meet their obligations to investors, pointed out that no similar obligation existed as far as the employes were concerned, although they had "invested their lives in the industry. They must meet the fixed charges of subsistence for themselves and their families, and they can only meet these fixed charges through being employed and receiving wages. Their wages have never permitted them to accumulate reserves to protect them in extended periods of unemployment. The railroad companies provide no such reserves to protect the human investments in the industry. Yet the fixed charges of more than 500,000 unemployed workers and their families must be met somewhere, somehow. Another 500,000 men whose part-time employment does not provide income sufficient to meet more than part of their fixed charges also command attention."

The railroad problem not only affects this large number of workers but the many others who in normal times earn a livelihood by producing materials and supplies for railroad use. In addition to the 20 per cent of the total production of steel already mentioned, the railroads consume 20 per cent of the total production of lumber and fuel oil and 25 per cent of the output of bituminous coal, as well

as a wide range of other materials. Railroad purchasing agents and storekeepers must assemble stocks of supplies which approximate 50,000 items.

Purchases of equipment, materials and supplies from manufacturers were reduced from $1,350,000,000 in 1929 to $639,000,000 in 1931; purchases of fuel from $364,392,000 to $224,000,000; while purchases of all kinds were reduced $851,892,000, or 50 per cent. The wages which would have been earned in producing these supplies at the 1929 rate must be added to the lost $1,000,000,000 in railroad wages which will not be in circulation this year. Here is part of the explanation why so many storerooms are for rent; why their owners will have to forego their annual trips to Europe; why so many millions of dollars must be contributed to relief funds; why bankruptcies rise to unprecedented totals.

Causes for these conditions are not hard to find. The most obvious is naturally the world-wide business depression, which has greatly reduced the volume of railroad traffic. But the consistently repressive railroad policy of the United States Government, exercised through the Interstate Commerce Commission, must bear much of the blame. The transportation act of 1920 provided that the Interstate Commerce Commission should establish rates which would enable the railroads to earn a "fair return" on money invested in property devoted to transportation uses. Having confidence in the good faith of the law, the railroads, by the end of 1929, added $6,855,000,000 to their investment in property devoted to transportation uses. The Interstate Commerce Commission was zealous in observing its mandate to regulate rates, but it regulated them uniformly downward—a total of 15.6 per cent in the nine years—resulting in a cumulative loss in freight revenue during that period of $5,769,835,000. If the railroads had been permitted to accumulate substantial funds as a reserve they would have been able to weather the current financial storm.

That is only a part of the story. Commissioner Joseph B. Eastman is a consistent and active supporter of government ownership of the railroads. He not only advocates this policy, but all his official acts and influence tend toward its adoption. Loss of revenue in violation of Congressional mandate and official repression are in themselves sufficient to provide all the trouble any reasonable corporation ought to ask, but there are other contributory factors peculiar to the railroads, many of them created by their own management.

Pioneer railroad builders led the march of progress by opening up the country to settlers. The first phase of our present railroad problem arose from the general desire for transportation on any terms. As construction of extensive mileage to connect scattered poverty-stricken settlements with distant markets was a speculative venture, rather than a business enterprise, State, county, town and even individual aid was solicited for early railroad schemes. Some mid-Western States were brought to the verge of bankruptcy by obligations incurred to promote railroad building. Farmers in Wisconsin mortgaged their homes to raise money to help the Chicago, Milwaukee & St. Paul. When these mortgages were foreclosed, most of the farmers lost all they had. In numerous cases bonds were sold and proceeds pocketed with no thought of building the roads for which they were voted. From such background came the animosity to the railroads which was so familiar to the older generations.

Since securities of these speculative pioneer railroads could be sold only at heavy discounts the inevitable result was over-capitalization and burdensome fixed charges. But when did true Americans refuse to buy anything they did not need with money they did not possess? Tireless pro-

moters kept railroad enthusiasm ablaze, with results agreeable to themselves, until the need for transportation was not only met, but oversupplied, particularly in the agricultural West, where an average crop of wheat from ninety-two acres can be hauled to market in a single carload. As a logical consequence of overbuilding and over-financing, 1,152 railroad companies with 181,151 miles of track, capitalized at $10,683,667,000, passed through bankruptcy before 1929.

Time and a widely followed practice of "plowing in" earnings have largely rectified early over-capitalization. At least, an average capitalization of $105,661 per mile of line does not seem excessive when it is remembered that this average includes terminals, buildings and equipment; that a part of these lines is situated in busy manufacturing regions of the East; that considerable mileage is four-tracked and a much larger part double-tracked.

Yet the country is burdened with more railroads than are actually needed. Support of this excess mileage is provided by rates which amount to a surtax upon the country's transportation bill, paid by the shipper and passed along to the ultimate consumer. Examples of this needless railroad mileage are to be found from New York to Seattle in the West Shore Railroad, side by side with an older four-track line to Buffalo, the Nickel Plate from Buffalo to Chicago, the Chicago, Milwaukee, St. Paul & Pacific from St. Paul to Puget Sound. No additional public service is rendered by these surplus lines; instead they take the available, meager traffic which the older lines need. Travelers and shippers have the choice of six routes between Chicago and St. Paul. Although these six serve different intermediate territory for a part of the way, they compete for through traffic sufficient to support only one-third of their number. Probably the country would be as well off with one-eighth less railroad mileage than it now has. From this situation has arisen the much-discussed proposal for railroad consolidation to provide for weaker roads which never should have been built.

But the railroads were built and their building led to the settlement of the West and the retention of California instead of allowing it to become the "Pacific Empire" which was proposed during the Civil War period. The competition for traffic has caused the railroads to render a great and unappreciated work of improving breeds of live stock, increasing productiveness of the soil and locating industries close to supplies of raw materials and to markets.

Competition for traffic has led also to less admirable practices—rebating, for example. From the beginning of commercial history every trader has tried to get the best of a bargain. But transportation, it has become recognized, differs from other kinds of business. Shippers who obtain special favors from railroads are in a position to destroy competitors denied such advantages. So the courts have held that railroads were "affected with a public interest." That is, having derived the right to do business from the public, they were obliged to treat all alike. Numerous laws have been enacted to enforce equal treatment. But rebating was hard to extirpate. Recent investigations by the Federal Trade Commission and Interstate Commerce Commission show that only the word "rebate" has been eliminated. The practice it denoted has survived under the more euphonious term of "reciprocal buying." This means that if a shipper buys transportation from a railroad the latter will buy something from the shipper at prices not too closely related to market values.

To cite a single example, there was introduced in evidence a letter from the traffic vice president of the New Haven complaining that his railroad was losing coal traffic to the New

York Central because the latter had a scheme for buying two tons of coal from producers for each ton of competitive coal shipped over its lines. The investigations also disclosed secret rates and altered waybills. Yet the laws are intended for the protection of railroads against such practices quite as much as for the protection of shippers.

An industry with an investment of $26,000,000,000, earning more than $6,000,000,000 annually for five consecutive years, consuming billions of dollars' worth of materials and supplies, has its attractions for captains of other industries. According to a report of the House Committee on Interstate and Foreign Commerce, fifteen leading railroads had 219 directorates filled by men who held directorates in 2,298 other corporations, including 391 in railroads which were not subsidiaries of the fifteen.

Here is to be found a fruitful source of railroad troubles. It is not humanly possible for so few men to give adequate consideration to these many important, diversified interests. Again, when conflicting or competing interests demand attention, the tendency is to reduce them all to a dead level of neutrality. Management is left to executives and their subordinates, which would be well enough were it not for the fact that knowledge of directors' conflicting interests kills initiative and leads to ossified bureaucracies.

Besides their other troubles, the railroads are now faced with various forms of competition. A few years ago the roads provided for 90 per cent of the country's total transportation; today they handle less than 77 per cent. It is an extraordinary thing to find that the railroads, which even in their primitive days demonstrated so conclusively their superiority to river and canal transportation, are now faced by a determined effort to resurrect the outmoded form of transportation at popular expense. The only result has been to take needed traffic from the railroads.

Pipe lines, of which there are more than 100,000 miles representing an investment of more than $2,000,000,000 now in service, take about 5 per cent of oil traffic that formerly moved by rail. Natural gas flowing through 65,000 miles of other pipe lines has displaced 95,500,000 tons of coal the railroads used to haul.

The most formidable competitor of the railroads, however, is the motor truck, operating on highways built and maintained at the expense of taxpayers, including the railroads. At the end of 1929, more than $10,000,000,000 of taxpayers' money had been invested in highways. In the three years from 1926 to 1929 the sum spent on highways was $6,126,559,000, but fees and taxes from the users of these highways amounted to less than 40 per cent of this sum. That is, highway traffic received a free contribution of $3,683,343,000 in these three years. The appropriations for highways are increasing from year to year. Although these expenditures are not for the exclusive benefit of truck operators competing with the railroads, the practical effect is the same. Truck operators, at a cost of nominal license fees and small gasoline taxes, are now able to take from the railroads some 4 per cent of the total volume of traffic.

To cope with this growing competition railroad executives met in November, 1930, and issued for publication an expression of pious hope on the subject, and then dismissed it from their minds. At least, there are no outward indications that anything is being done to deal with it, nor are there any signs that Congress will take the initiative in solving the problem of unregulated transportation.

The Far Eastern Conflict

I—The Battle of Shanghai

By ALBERT GLEAVES
Rear Admiral, U. S. N., Retired

THE Japanese, flushed with their success in Manchuria and stung to fury by the boycott which has all but destroyed their trade with China, decided to stop the boycott once for all, and to settle other old scores with the Chinese. The Japanese army had had a great show in Manchuria and Siberia in which the navy had had little part, and to balance the glory of both arms of the service the Cabinet said, "We will let the navy handle this job." So, thinking perhaps that it would not be such a great task, Rear Admiral Shirosawa, who commanded the Yangtse squadron, was ordered to Shanghai.

Officially there is no war, because there has been no declaration of war; but if thousands of killed and wounded, villages laid waste with fire and sword, old men, women and children driven from their homes in freezing weather, does not constitute war, another name for the same thing will have to be invented. When it comes to indemnities and insurance this will be an important question for the courts to decide.

The first step toward hostilities was taken on Jan. 21, when Admiral Shirosawa presented certain demands to the Mayor of Shanghai. They were for the suppression of boycott activities and anti-Japanese associations and an apology to the Japanese Government. All these were at first refused.

The threats of the Japanese officials to enforce their demands if they were not complied with were followed by representatives of the Settlement, mostly British, visiting the flagship and requesting Admiral Shirosawa to make a statement of his intentions. They informed him that they could not permit independent Japanese action within the Foreign Settlement.

The next day (Jan. 23) 400 marines arrived from Kure and were quartered in the Japanese Settlement in Hongkew. At the same time a Japanese cruiser and four destroyers arrived in the harbor. These reinforcements brought the Japanese naval strength up to three cruisers, five destroyers and a gunboat, while their landing party now numbered 1,300 men. Simultaneously at Nanking protests and demands were made similar to those of Admiral Shirosawa and the Japanese Consul General. This action alarmed the Chinese in Shanghai, who started digging trenches, erecting sandbag barricades and placing in position the heavy iron gates used on such occasions. The Volunteer Corps of the Settlement, organized ninety years ago, mobilized and prepared for active service. The garrison of Fort Nanking was reinforced. The greatest excitement prevailed. American Consul General Cunningham, the dean of the consular corps, called a conference, at which he said he thought Japan meant business, but he did not think she would interfere with the Foreign Settlement, although the Temple of the Queen of Heaven in the Foreign Settlement at Hongkew was the headquarters of the boycott association. It was considered

strictly Chinese property and was excluded from foreign jurisdiction. On Jan. 23 the association closed its offices and ceased operations.

In the meantime Chinese troops had been coming into the city, and on Jan. 25 it was estimated that there were in the area 17,000 men, of whom 7,000 were at Chengzu near by guarding the wireless station and 10,000 distributed between the forts and Chapei. Against this force the Japanese could oppose only 1,500 bluejackets and marines. For fear of damaging the foreign area Admiral Shirosawa was loath to use the guns of his vessels in the river. Japanese reinforcements of ships and men also continued to arrive. Feverish preparations continued in the Settlement; all the roads were patrolled by Chinese soldiers and volunteers and by Sikh policemen armed with rifles. United States marines were posted in the area between the British Consulate and Soochow Creek. Business was paralyzed.

On Jan. 27 a twenty-two-hour ultimatum was sent to the Mayor of Shanghai. Chinese merchants pleaded with him to accede to all demands, as their trade was being ruined. When it became evident that the Japanese were bent on drastic action, the Mayor yielded before the ultimatum expired at 5 P. M. on Jan. 28. But it was too late to save the situation, and the Shanghai authorities realized that the Admiral had to save his face.

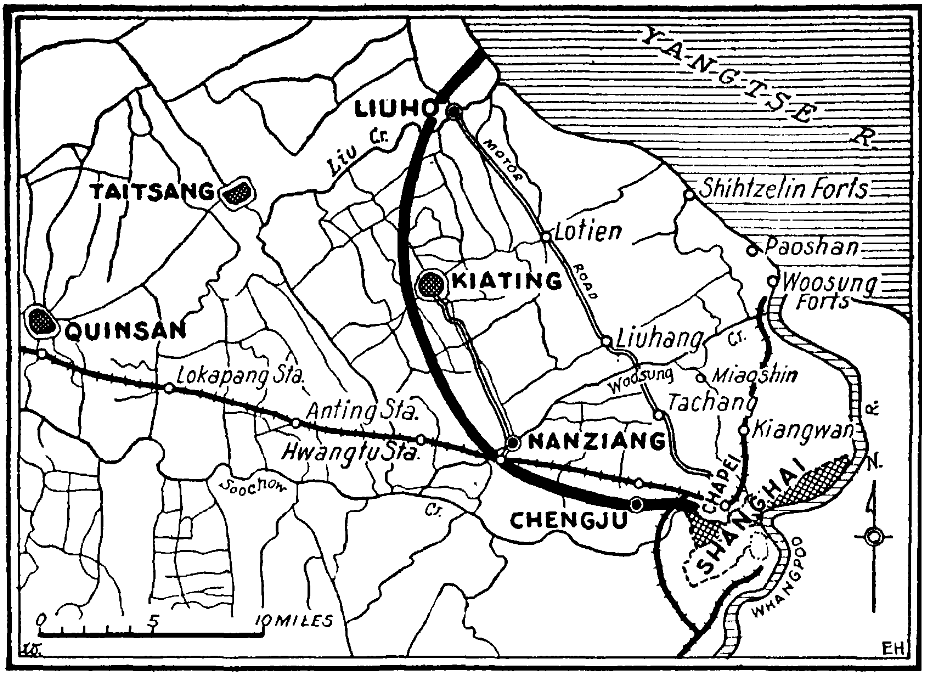
The leading representatives of the Settlement at 4 P. M. declared a state of emergency, which virtually means martial law, and the Volunteer Corps and all the defense forces were called out. At this time the foreign troops in the Settlement consisted of the Fourth Regiment of United States Marines, 50 officers and 1,159 men commanded by Colonel R. S. Hooker, and a British regiment, 100 officers and 2,170 men. The Japanese force under Admiral Shirosawa consisted of twenty-three warships of various classes which could put on shore a landing party of 1,500 bluejackets.

The excitement increased; thousands of refugees from the Hongkew side poured into the area around the boundaries of the British and French Concessions, into the native Chinese city of Shanghai, congesting all the bridges across Soochow Creek which were guarded by police provided by the Settlement authorities. Most of these people were burdened by their household effects which they carried in their hands, the only vehicles available being a few wheelbarrows. Only 12,000 Japanese civilians remained in Shanghai and these were ordered by the Japanese Consul General to go to Hongkew; 15,000 Japanese had fled to Japan.

The Japanese could not declare martial law in the Foreign Settlement, in which were several thousands of their countrymen, but they announced that they would enforce all defensive measures. They armed plain-clothes men, who caused much trouble.

As the Chinese soldier usually has no heavy clothing, he prefers campaigning in mild weather. The weather conditions at the end of January were therefore propitious for the invaders, and no doubt the Japanese had this in mind when the campaign was planned. There were few days of sunshine during the fighting, and when March came it was accompanied by heavy rains, which were bad for the troops and also for the tanks.

Shortly before midnight on Jan. 28, in cold, falling weather, the Japanese landing party, armed with rifles, pushed their way through the crowded narrow streets of Hongkew, and a few minutes after 12 P. M. they attacked the sleeping town of Chapei, which was unfortified and supposed to be defenseless. Six planes at the same time dropped flares and 34-pound bombs on the thousands of wooden shacks. Instantly fires were started, which burned fiercely for days and nights. The town was de-



THE JAPANESE FRONT AT SHANGHAI

The semi-circle marks the front which Japan on March 7 announced she would maintain pending diplomatic negotiations. Light lines show creeks and canals

fended by detachments from China's Nineteenth Route Army, which, after bloody struggles in the streets, drove the Japanese sailors back before they reached their objective, the North Station. But the planes bombed the station and the huge Commercial Press Building, both of which were soon in flames. The Japanese bluejackets retired behind the Woosung railway, and there they dug in. At daylight the Chinese artillery at North Station began to shell the west end of Hongkew. During the night more than a square mile of Chapei was destroyed.

The attack on Chapei, although not unexpected, gave the world what one correspondent spoke of as the "jitters." The stout resistance of the Chinese astonished the Japanese, for it was entirely unexpected, but in a measure it prepared them for what was to follow. For thirty-five days fighting in this area continued. Attacks and counter-attacks were made day and night. The electric lights were shot out and the wires cut, the city being put in complete darkness save for the flares from airplanes and the flashes of the guns. A pall of smoke, heavy with the stench of unburied bodies, hung over Chapei or was blown down on the Foreign Settlement when the wind was from the north. Scenes of wildest disorder prevailed in some sections where there was no qualified force to handle the situation. Damage to Chapei, where 10,000 warehouses and factories were destroyed, is estimated at $10,000,000. Looting and rioting and sniping were practically unchecked.

The battle of Chapei was a momentous event in the history of Japan. If she could have gazed into the crystal on Jan. 28 or could have remembered the words of King Lear, "that way

madness lies," she might have adopted other and more peaceful means to settle her quarrel with China.

The attack on the Woosung forts began simultaneously with the attack on Chapei and continued at intervals until the fall of Kiangwan on March 2. These forts were about twenty feet high and stood on the mud flats at the mouth of the river. Their armament consisted of four 9-inch breech loaders, ten 4.7-inch and 6-inch quickfirers and several old muzzle-loaders. There were underground passages which gave some protection from air bombs. The Japanese evidently thought the forts would afford simple target practice for the destroyers which, cooperating with the airplanes, were sent to attack them. The resistance of the forts was astonishing, but their gun practice was poor. Although the Japanese destroyers, after the manner of du Pont at Port Royal, steamed around in an elipse and presented a moving target, they were so close in that it should have been an easy matter to dispose of them. Only one destroyer appears to have been damaged, not by gun-fire, but by grounding. Why the forts which fought so gallantly for weeks against the attacks by land, air and water remained mysteriously silent when the Japanese transports loaded with troops and stores passed under their guns has not been explained. An opportunity was missed to inflict irreparable disaster to Japanese arms. When the forts were dismantled a few days after their evacuation the guns were sent to Japan as war trophies.

Five weeks of artillery duels and air bombings followed the battle of Chapei. Heavy reinforcements were received by both sides. The Chinese extended their lines to the northward through Kiangwan and Paoshan facing the Japanese line, which lay along the northern boundary of Hongkew. The Japanese division with Major General Uyeda had landed in Hongkew in violation of treaty agreements and the naval brigade was relieved by the soldiers, but before returning to their ships the marines and bluejackets made another attack on Chapei and were again repulsed.

When it became known that other Japanese transports were to make landings at Liuho, the Chinese withdrew their line from the north boundary of the Hongkew Settlement and swung it around on Chapei as a pivot until it reached Kiangwan, which thereafter, until the great retreat began, became the focal point. This movement was to avoid being caught between the pincers formed by the new troops and those at Hongkew. Japanese engineers constructed motor roads in this area for the transportation of the infantry, the strategy being to bend back the left wing of the Chinese, press it down to the river, and if possible attack it in the rear.

Admiral Nomura, who is well-known to American officers and has a reputation for efficiency, arrived on Feb. 9 and relieved Rear Admiral Shirosawa. It was now evident that the Japanese intended major operations, and the foreigners in the Settlement became uneasy, though they felt considerably relieved when they saw the American flagship Houston, followed shortly by the British flagship Kent and the cruiser Berwick, steam up the river. President Hoover had on Jan. 31 ordered our Asiatic fleet to Shanghai and an infantry regiment from Manila. The American troops were on board the Chaumont, which accompanied Admiral Taylor, and were landed at once. The Berwick landed a battalion of Argyle and Sutherland Highlanders. All these troops proceeded to their assigned areas in the concession.

Desperate fighting occurred on Sunday, Feb. 14, at Woosung, where the Japanese are reported to have lost heavily in killed and wounded. Troops continued to arrive from Japan. General Uyeda came with the transports and immediately put the troops on the Chapei-Kiangwan line. After a

severe struggle at the junction of the Chapei-Kiangwan lines, the Japanese were repulsed by armored motor cars.

The fighting continued throughout February. The Japanese used all their arms—machine guns, tanks, rifles and artillery. Foreign observers reported their equipment to be in every way most up-to-date. Horses, mules and ponies were also brought over in great numbers, as well as immense quantities of ammunition and stores of all kinds. It was evident that a prolonged campaign was intended. The Chinese Army had also received heavy reinforcements and ample stores, but the question of ammunition was causing them trouble. By Feb. 16, 120,000 Chinese troops were concentrated in the trench lines and fortifications at Shanghai and Woosung. A heavy bombardment took place on the night of Feb. 16 and lasted until the next morning, during which guns were fired at ten-second intervals to check Chinese reinforcements from Chengju.

Great care had been taken on both sides to avoid damage to the concessions south of Soochow Creek, but undoubtedly Hongkew suffered severely, and will have a big bill for damages to render when the campaign is at an end. A few shells dropped in the British concession, and several times our marines have been under fire. Two mines exploded in the river, one near Admiral Nomura's flagship, and the other near the cruiser Oi.

Several parleys took place between the combatant leaders but without result. On Feb. 19 General Uyeda proposed to General Tsai Ting-tai that he completely evacuate the first line and also an area north of Shanghai of 248 square miles, and demanded the cessation of the boycott and the destruction of all the forts. These terms were rejected, and the Chinese prepared for battle.

The next day the Battle of Kiangwan began, and instantly blazed all the way to Woosung. The Chinese had brought up additional artillery with which they shelled the Japanese trenches and the cruiser Yubari lying close inshore. An attempt was made, assisted by 180 airplanes, to turn the Chinese left flank, but failed. During the night the Chinese withdrew from the race-course area, the chief objective and the pivot on which General Uyeda expected to make his turning movement. The Battle of Kiangwan lasted until Feb. 28, fiercely fought for seven days and nights with heavy casualties. Every arm of destruction was used except gas. The lines surged forward and backward, at times so close together that Chinese infantry shot down the artillerymen at their guns. The Chinese retreat was conducted with remarkable secrecy to their second line, which ran north and south through Miaoshin, Tachang in the centre, to Chengju on the Shanghai and Hangchow railroad. This line was from one to three miles behind the first line.

When the Japanese entered the town of Kiangwan it was a scene of unspeakable horror, with only twenty living refugees remaining; inside the battered mud walls lay 1,600 unburied bodies. Before the visitation of this war it had been a thriving town, but now it was completely razed by air bombs, shell and fire. The public buildings and university with its priceless library are in ruins. The International race track, stables and club buildings have been destroyed. The statue of Sun Yat-sen, at the entrance of the college, was uninjured, except that the face was shot away. The Chinese had dug a trench at the statue, and there a few soldiers held out for days against the Japanese attack.

Reinforcements poured in from Japanese transports at Liuho almost daily while the battle was in progress. General Shirokawa, the new Commander-in-Chief, arrived at Liuho on March 1 and immediately assumed command. After the battle was over on March 2 the Japanese made a picturesque entry into Chapei at the North Station. Six bluejackets with fixed bayonets heading a small pro-

cession marched slowly across the battle lines, followed by a standard bearer carrying a large Japanese flag and another sailor with a small naval flag.

The Chinese continued their retreat to their third line, which approximately paralleled the second, and General Tsai Ting-kai established his headquarters at Quinsan, about thirty miles from Shanghai. The Japanese established their lines from Liuho southward to the Shanghai-Nanking railway in the neighborhood of Anting, then eastward along Soochow Creek to the International Settlement. It appeared as if General Uyeda's original plan had been achieved, for he had pushed back the Chinese army to the 12½-mile line and even farther.

Orders were now issued to the Commanders-in-Chief of both armies to cease hostilities, but in the afternoon of March 3 there was an engagement near Liuho between newly arrived reinforcements from Nanking and fresh Japanese troops just landed from the transports. Again at night firing broke out in the vicinity of Nanziang, and it was reported that the Japanese launched a severe offensive in that sector. According to the cable dispatches, each side blamed the other for breaking the truce.

Decisive effects were shown by the uncontested aerial mastery of the Japanese, which enabled them to destroy strong points of vital importance to the Chinese plans for resistance. Chinese failure to use airplanes is one of the mysteries of the war. General Chang Kai-shek and Canton possess an abundance of aircraft, for China has spent tens of millions of dollars on this arm.

Estimates of casualties vary, but a conservative statement places the total losses of both armies at 23,000 killed and wounded, the Japanese total being 2,800. If the wounded of the Nineteenth Army totaled only 6,000 it would bring the Chinese losses to 20,000. On March 3 the property losses in Chapei and Kiangwan were estimated to exceed $600,000,000 gold.

On March 7 the total number of Japanese troops of all arms in the Shanghai area was 70,000, but transports continue to arrive at Liuho with troops and stores. In spite of the truce arranged between General Tsai Ting-tai and the Japanese Commander-in-Chief, frequent clashes occurred between the two armies which were more serious than outpost affairs, especially in the Taitsang sectors involving 2,000 men and the attack by 600 Japanese on Lutu bridge near Liuho on March 3.

And so this undeclared war goes on. In closing the account up to the moment of writing it may not be inappropriate to quote from a funeral oration over the body of a Japanese officer killed in action, in which the speaker said that his "death on the battlefield *lays the foundation for the expansion of Greater Japan into the Yangtse Valley.*"

II—The Peacemakers' Task

By ARTHUR N. HOLCOMBE
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A NEW chapter in the history of the Sino-Japanese crisis opened on Feb. 12, when Dr. W. W. Yen, the Chinese representative at Geneva, appealed from the Council to the Assembly of the League. This appeal meant that the Chinese Government had reached the end of its patience with the cautious diplomacy of the powers represented on the Council.

From Sept. 19, 1931, when the Chinese first brought the Japanese military operations in Manchuria to the attention of the Council, until Jan.

29, 1932, the proceedings at Geneva had taken place under Article XI of the covenant. Under this article the League, in case of war or the threat of war, may take any action that may be deemed "wise and effectual" to safeguard the peace of nations, and a meeting of the Council must be summoned on the request of any member of the League. The efforts of the Council to safeguard the peace under this article had culminated in the resolution of Dec. 10, authorizing the appointment of a commission of inquiry of five members representing the principal "neutral" powers to go to the Far East and investigate the dispute. The four European members of the commission left on Feb. 3 for the Far East by way of New York and with the American member reached Tokyo on Feb. 29. However wise the action of the League Council under Article XI may have been, the belated arrival of the commission in the Far East had certainly been rendered anything but effectual.

On Jan. 29, in view of the Japanese resort to armed force at Shanghai on the preceding day, Dr. Yen, the Chinese representative on the Council, invoked Articles X and XV of the covenant. Under the former article the members of the League undertake to respect and preserve against external aggression the territorial integrity and political independence of all members of the League, while the duty is imposed on the Council to advise what shall be done by members in case of such aggression. Article XV provides that any dispute between members of the League, likely to lead to a rupture and not submitted to arbitration or to judicial settlement, shall be submitted to the Council and that the Council shall try to effect a settlement. The proceedings of the Council under Articles X and XV also proved ineffectual to stop the fighting at Shanghai.

The local committee of representatives of the powers at Shanghai, organized by Sir Eric Drummond, the Secretary General of the League, in order to supply reliable information to the Council on the state of affairs there, made a report—which was not published at Geneva in full until Feb. 14—asserting that since Feb. 3 a state of open war had existed at Shanghai.

Under Article XV of the covenant it is further provided that either party to a dispute which is before the Council may within fourteen days after the submission of the dispute to the Council demand that it be referred to the Assembly. It was this provision of the covenant under which Dr. Yen, a few hours before the expiration of the designated time, requested that the Assembly be convened for the purpose of effecting the settlement which the Council had failed to bring about. But Dr. Yen made his demand in such form as to encourage the Council to seek a settlement before the meeting of the Assembly, if possible, and the Council was manifestly reluctant to let the dispute pass out of its hands.

The demand for a special meeting of the Assembly was referred first to a committee of jurists, who reported on Feb. 19 that it was in proper form and that the Council should fix a date for the meeting. Since nearly all the members of the League were already represented at Geneva by delegates to the disarmament conference, the Council summoned the Assembly to meet on March 3.

Meanwhile the United States Government had adopted a firmer tone than that of the League Council. Secretary Stimson's note of Jan. 7 notified Japan and China that we would not recognize any situation, treaty or agreement entered into by the Japanese and Chinese Governments in violation of the Nine-Power treaty or the Kellogg pact, and affecting American rights in China.

This went beyond all admonitions so far addressed by the League or any of the powers to the governments of China and Japan, and constituted a plain warning that the government of the United States would not recognize the legality of claims founded on law-

less force and violence. But this warning was no more effectual than the milder remonstrances of the League Council in preventing bloodshed at Shanghai. On Feb. 12, when China filed its appeal to the League Assembly, the military operations at Shanghai were continuing on a still greater scale.

The first effect of the Chinese appeal to the Assembly was to stir the Council to greater efforts. On Feb. 16 Joseph Paul-Boncour of France, President of the Council, handed a note to Naotake Sato, the Japanese representative at Geneva, reminding the Japanese Government that the Council in its note of Jan. 29 had already urged China and Japan to avoid a disastrous breach between them, and emphasizing especially Japan's "incalculable responsibility before the public opinion of the world to be just and restrained in her relations with China." This note, issued by the twelve members of the Council other than the representatives of China and Japan, expressed regret that Japan had "not found it possible to make full use of the methods of peaceful settlement provided in the covenant," and recalled once again "the solemn undertaking of the Pact of Paris." The twelve signatories also declared that it was "their friendly right to direct attention to this provision [Article X of the covenant], particularly as it appears to them to follow that no infringement of the territorial integrity and no change in the political independence of any member of the League brought about in disregard of this article ought to be recognized as valid and effectual by the members of the League of Nations." Thus the twelve members of the Council supported the attitude which Secretary Stimson had expressed in his note of Jan. 7.

This was stronger than any previous expression of the Geneva authorities in fixing responsibility for resort to force and violence, both in Manchuria and at Shanghai, on the Japanese. "The twelve members of the Council," it declared, "cannot but recognize that from the beginning of the conflict which is taking place on her territory China has had her case in the hands of the League and agreed to accept its proposals for a peaceful settlement." Japan's conduct, the note intimated, had contrasted unfavorably with that of China. The note closed with a reminder that Japan had acknowledged her responsibility for justice to China "in most solemn terms" by becoming one of the signatories to the Nine-Power treaty of 1922.

Such a plea was no ordinary diplomatic communication between governments, but a message from the representatives of enlightened opinion throughout the world to the people as well as the government of Japan.

The Japanese reply to the Geneva note of Feb. 16 was issued at Tokyo on Feb. 23. Foreign Minister Kenkichi Yoshizawa, in transmitting the Japanese statement, deplored the manner in which the Geneva note was prepared. It was not proper, he intimated, that twelve members of the Council should issue notes on matters within the Council's competence, which would better be dealt with by the Council as a whole or not at all.

In the first place, the Japanese Government denied that Japan had been the aggressor, when in fact it had acted on the defensive both in Manchuria and at Shanghai. Secondly, the appeal from Geneva was "unintelligible," since it offered no positive suggestion for the cessation of the conflict at Shanghai. Thirdly, the Japanese Government could not admit that China had been any more willing than Japan to resort only to peaceful measures for a solution of the dispute, since China, as stated, had been the aggressor and Japan had resorted to force in self-defense, as was its right under all the peace treaties. Fourthly, the Japanese Government had no more violated Article X of the covenant by sending its forces to Shanghai than

had other powers when they did the same thing in 1927; no one had suggested then that the powers were violating any provision of the covenant. Fifthly, Japan entertained "no territorial or political ambitions whatsoever in China," and hence could not be said to contemplate any attack on the territorial integrity or independence of a member of the League in defiance of Article X. Sixthly, Japan was prepared to stand by all her obligations under the Nine-Power treaty, but could not discuss those obligations with powers other than those which signed that treaty. Seventhly, Japan denied that China was an "organized people" within the meaning of the League covenant, because there was "no unified control in China and no authority which is entitled to claim entire control in China." Finally, Chinese aggression was responsible for the resort to force by Japan, and the powers would be more helpful if they would propose some specific plan, such as the establishment of a "safety zone" around Shanghai, for 'the protection of Japanese subjects against Chinese aggression. A more radical proposal of the same kind, informally broached by a spokesman for the Japanese Foreign Office, hinted at the neutralization of the five chief ports of China, Shanghai, Hankow, Tientsin, Tsingtao and Canton.

The Japanese Government was evidently in no mood to acknowledge any wrongdoing on its part or to make any concessions to the Chinese for the sake of an immediate end to the fighting at Shanghai.

The Council of the League made no direct rejoinder to the Japanese reply of Feb. 23, but continued its efforts to bring about at least a cessation of the fighting at Shanghai before the meeting of the Assembly. Attempts at mediation between the local commanders of the Japanese and Chinese forces were instituted by diplomatic and naval officers of the principal powers stationed at Shanghai. The Japanese refused to cease military operations until the Chinese forces should be withdrawn at least twelve and a half miles from the city, and the Chinese were unwilling to withdraw unless the Japanese would do likewise. Despite the talk of an armistice the fighting continued until March 3, when Japanese reinforcements threatened the communications of the Chinese army and forced a strategic retreat.

The most effective reply to the Japanese note of Feb. 23 was furnished by Secretary Stimson's open letter to Senator Borah, published on Feb. 24, the full text of which follows this article. This letter brought out clearly the fundamental issue between Japan and the Western powers, especially the United States. The Japanese Government had lost the confidence which it formerly professed in Chinese ability for self-rule under the strenuous conditions of the modern world, and believed some form of tutelage should be established by the powers. In Manchuria it was resolved to act without waiting for the cooperation of other powers, and it did not intend to be deterred from such action by anything which might be done by the government or people of China.

On the other hand, the Western powers, especially the United States, were resolved to stand upon their conviction that China should be treated as an independent member of the family of nations, according to the various treaties and agreements affecting the rights of her government and people. From this point of view the Japanese attitude and action threatened the authority of the League covenant and of the Kellogg Pact and raised the question whether the sanctions provided by these two treaties should be invoked. Article XVI of the covenant provides that, if any member of the League resorts to war in disregard of its obligations, it shall be deemed to have committed an act of war against all other members of the League, and shall be liable to punishment by means of a universal

boycott or, if necessary, by naval or military operations. The question of invoking these sanctions was one which would have to be faced by the Assembly of the League, when it should meet, if less drastic measures should fail. But first it would be necessary to declare officially that Japan had resorted to war, something which neither Washington nor Geneva had yet ventured to do. Under the Kellogg Pact there is no provision for any sanction other than that which may be supplied by the opinion of mankind, and the question of invoking such a sanction is one which the peoples of the various countries must ultimately decide for themselves.

Since it was well understood that the League could not successfully coerce Japan, whether by boycott or otherwise, without the concurrence of the United States, opinion in this country concerning the means to be employed in dealing with the Tokyo Government became of paramount importance. But the American public was slow to appreciate its responsibility for defining its attitude toward the Japanese operations in China, especially in that part known as Manchuria, and when the fighting in Shanghai attracted public attention no general view emerged. Some condoned the action of Japan; others condemned it. Of those who condemned it, some expressed only moral disapproval, others advocated a private boycott of Japanese goods, still others an official prohibition of the export of munitions to Japan or to both Japan and China. Most active were those who favored the concurrence by the United States, whatever measures the League might take; presumably, if mediation and conciliation should fail, a public boycott. Led by President A. Lawrence Lowell of Harvard University and Newton D. Baker, Secretary of War under President Wilson, thousands petitioned the President and Congress to notify the League that the American Government would concur in the economic measures it might adopt to restore peace. But at the opening of the special session of the Assembly it was doubtful to what extent the American public would support concurrence in the measures of the League.

The special session of the League Assembly opened on March 3 with representatives of fifty nations present. Paul Hymans of Belgium was chosen president, and the first day was devoted to addresses by Joseph Paul-Boncour, President of the Council, W. W. Yen, Chinese Minister to the United States, and Tsuneo Matsudaira, Japanese Ambassador to Great Britain. Paul-Boncour, in an attempt to vindicate the Council's efforts to effect a settlement of the dispute, emphasized the difficulties caused by the absence from the League of the Soviet Union and the United States, two of the most important countries with Far Eastern interests. Yen urged that the Assembly should seek a settlement of all matters in dispute between China and Japan, including those relating to Manchuria as well as Shanghai, that it should declare that Japan had violated the covenant as well as the Kellogg Pact, and that it should recognize that China had not provoked Japan's aggression. Matsudaira replied that Japan had received ample provocation for its resort to force, which he insisted was defensive, and that China was not entitled to the same consideration as an orderly country with a stable and effective government. The reception of these addresses was complicated by uncertainty as to whether the fighting at Shanghai had ceased.

The most striking feature of the opening day of the special session was the moderation of the Chinese demands. The Chinese spokesman did not ask the Assembly to invoke immediately the sanctions provided by Article XVI of the covenant, but urged continued efforts for a settlement by negotiation, in the hope that the moral forces of the world might

prove strong enough to secure justice for China. In the subsequent sessions the representatives of the Great Powers indicated their reluctance to adopt measures which might involve them in efforts to coerce Japan by economic pressure or physical force, and the representatives of the lesser powers, though clearly believing that Japan was in the wrong, hesitated to take steps which would embarrass the Great Powers. On March 4 the Assembly unanimously resolved to call upon China and Japan to cease hostilities, to request other powers having special interests in the Shanghai area to keep the Assembly informed of proceedings there and to recommend a general conference at Shanghai to arrange a permanent armistice and regulate the withdrawal of the Japanese forces. Meanwhile the Chinese forces had retired beyond the twelve and a half mile line mentioned in the Japanese ultimatum and the Japanese forces had occupied all the intervening area and were reported also to have gone beyond the line.

The League Assembly remained in session for a week after adopting the resolution of March 4. The Japanese were unwilling to let go the advantages of their military position without receiving political concessions by the Chinese, such as an admission that the disputes arising out of the operations at Shanghai and in Manchuria should be dealt with separately and that the boycott should be ended. The Chinese did not wish to surrender the advantages of their moral position until the Japanese forces should have evacuated Chinese territory and should have recognized the inseparability of the disputes. The dissatisfaction of the delegations with the policy of Japan became increasingly clear, as did also their indisposition to invoke the sanctions of Article XVI.

Finally on March 11 the Assembly adopted three more resolutions. The first declared it incumbent upon members of the League "not to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenant." Thus the Assembly formally accepted the American policy of denial that legal rights may be based upon lawless force. Secondly, in pursuance of the resolution of March 4, it requested that the Powers with special interests in the Shanghai settlement cooperate, if necessary, in maintaining order within the zone to be evacuated by the Japanese forces. Thirdly, it decided to set up a special committee of mediation and conciliation, consisting of the president of the Assembly as chairman, the twelve members of the Council other than the Chinese and Japanese members, and six additional members representing members of the League not represented on the Council, to be chosen by the Assembly. This committee was to do what might be possible under Article XV of the covenant to restore peace in the Far East and to report to the Assembly not later than May 1.

Secretary Stimson, after studying the text of the resolutions adopted by the League Assembly on March 11, and after a conference with President Hoover, stated: "The nations of the League at Geneva have united in a common attitude and purpose toward the perilous disturbances in the Far East. The action of the Assembly expresses the purpose for peace which is found both in the Pact of Paris and the covenant of the League of Nations. In this expression all the nations of the world can speak with the same voice. This action will go far toward developing into terms of international law the principles of order and justice which underlie those treaties and the Government of the United States has been glad to cooperate earnestly in this effort."

Mr. Stimson was obviously delighted with the action taken. The Assembly was supporting the views set forth by the United States in its identic note of Jan. 7, 1932, to Japan and China and amplified by the Secretary of State in his letter to Senator Borah.

III—Text of the Stimson Letter

THE text of the letter of Secretary of State Stimson to Senator Borah, chairman of the Senate Foreign Relations Committee, made public in Washington on Feb. 24, is as follows:

My dear Senator Borah:

You have asked my opinion whether, as has been sometimes recently suggested, present conditions in China have in any way indicated that the so-called Nine-Power treaty has become inapplicable or ineffective or rightly in need of modification, and, if so, what I considered should be the policy of this government.

This treaty, as you, of course, know, forms the legal basis upon which now rests the "open door" policy toward China. That policy, enunciated by John Hay in 1899, brought to an end the struggle among various powers for so-called spheres of interest in China which was threatening the dismemberment of that empire.

To accomplish this Mr. Hay invoked two principles:

(1) Equality of commercial opportunity among all nations in dealing with China, and

(2) As necessary to that equality the preservation of China's territorial and administrative integrity.

These principles were not new in the foreign policy of America. They had been the principles upon which it rested in its dealings with other nations for many years. In the case of China they were invoked to save a situation which not only threatened the future development and sovereignty of that great Asiatic people but also threatened to create dangerous and constantly increasing rivalries between the other nations of the world.

War had already taken place between Japan and China. At the close of that war three other nations intervened to prevent Japan from obtaining some of the results of that war claimed by her. Other nations sought and had obtained spheres of interest.

Partly as a result of these actions a serious uprising had broken out in China which endangered the legations of all of the powers at Peking. While the attack on those legations was in progress Mr. Hay made an announcement in respect to this policy as the principle upon which the powers should act in the settlement of the rebellion. He said:

"The policy of the government of the United States is to seek a solution which may bring about permanent safety and peace to China, preserve Chinese territorial and administrative entity, protect all rights guaranteed to friendly powers by treaty and international law, and safeguard for the world the principle of equal and impartial trade with all parts of the Chinese Empire."

He was successful in obtaining the assent of the other powers to the policy thus announced.

In taking these steps Mr. Hay acted with the cordial support of the British Government. In responding to Mr. Hay's announcement, above set forth, Lord Salisbury, the British Prime Minister, expressed himself "most emphatically as concurring in the policy of the United States."

For twenty years thereafter the open door policy rested upon the informal commitments thus made by the various powers. But in the Winter of 1921 to 1922, at a conference participated in by all of the principal powers which had interests in the Pacific, the policy was crystallized into the so-called Nine-Power treaty, which gave definition and precision to the principles upon which the policy rested. In the first article of that treaty, the contracting powers, other than China, agreed:

1. To respect the sovereignty, the independence and the territorial and administrative integrity of China.

2. To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government.

3. To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China.

4. To refrain from taking advantage of conditions in China in order to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States, and from countenancing action inimical to the security of such States.

This treaty thus represents a carefully developed and matured international policy intended, on the one hand, to assure to all of the contracting parties their rights and interests in and with regard to

China, and on the other hand, to assure to the people of China the fullest opportunity to develop without molestation their sovereignty and independence according to the modern and enlightened standards believed to maintain among the peoples of this earth.

At the time this treaty was signed it was known that China was engaged in an attempt to develop the free institutions of a self-governing republic after her recent revolution from an autocratic form of government; that she would require many years of both economic and political effort to that end, and that her progress would necessarily be slow.

The treaty was thus a covenant of self-denial among the signatory powers in deliberate renunciation of any policy of aggression which might tend to interfere with that development. It was believed—and the whole history of that development of the "open door" policy reveals that faith—that only by such a process, under the protection of such an agreement, could the fullest interests not only of China but of all nations which have intercourse with her best be served.

In its report to the President, announcing this treaty, the American delegation, headed by the then Secretary of State, Mr. Charles E. Hughes, said: "It is believed that through this treaty the 'open door' in China has at last been made a fact."

During the course of the discussions which resulted in the treaty, the chairman of the British delegation, Lord Balfour, had stated that: "The British Empire delegation understood that there was no representative of any power around the table who thought that the old practice of 'spheres of interest' was either advocated by any government or would be tolerable to this conference. So far as the British Government were concerned, they had, in the most formal manner, publicly announced that they regarded this practice as utterly inappropriate to the existing situation."

At the same time, the representative of Japan, Baron Shidehara, announced the position of his government as follows: "No one denies to China her sacred right to govern herself. No one stands in the way of China to work out her own great national destiny."

The treaty was originally executed by the United States, Belgium, the British Empire, China, France, Italy, Japan, The Netherlands and Portugal. Subsequently it was also executed by Norway, Bolivia, Sweden, Denmark and Mexico. Germany has signed it, but her Parliament has not yet ratified it.

It must be remembered also that this treaty was one of the several treaties and agreements entered into at the Washington conference by the various powers concerned, all of which were interrelated and interdependent.

No one of these treaties can be disregarded without disturbing the general understanding and equilibrium which were intended to be accomplished and effected by the group of agreements arrived at in their entirety.

The Washington conference was essentially a disarmament conference, aimed to promote the possibility of peace in the world, not only through the cessation of competition in naval armament, but also by the solution of various other disturbing problems which threatened the peace of the world, particularly in the Far East. These problems were all interrelated.

The willingness of the American Government to surrender its then commanding lead in battleship construction and to leave its positions at Guam and in the Philippines without further fortification was predicated upon, among other things, the self-denying covenants contained in the Nine-Power treaty, which assured the nations of the world not only of equal opportunity for their Eastern trade, but also against the military aggrandizement of any other power at the expense of China.

One cannot discuss the possibility of modifying or abrogating those provisions of the Nine-Power treaty without considering at the same time the other promises upon which they were really dependent.

Six years later the policy of self-denial against aggression by a stronger against a weaker power, upon which the Nine-Power treaty had been based, received a powerful reinforcement by the execution of substantially all the nations of the world of the Pact of Paris, the so-called Kellogg-Briand pact.

These two treaties represent independent but harmonious steps taken for the purpose of aligning the conscience and public opinion of the world in favor of a system of orderly development by the law of nations, including the settlement of all controversies by methods of justice and peace instead of by arbitrary force.

The program for the protection of China from outside aggression is an essential part of any such development. The signatories and adherents of the Nine-Power treaty rightly felt that the orderly and peaceful development of the 400,000,000 people inhabiting China was necessary to the peaceful welfare of the entire world, and that no program for the welfare of the world as a whole could afford to neglect the welfare and protection of China.

The recent events which have taken place in China, especially the hostilities, which, having been begun in Manchuria,

have latterly been extended to Shanghai, far from indicating the advisability of any modification of the treaties we have been discussing, have tended to bring home the vital importance of the faithful observance of the covenants therein to all of the nations interested in the Far East.

It is not necessary in that connection to inquire into the causes of the controversy or attempt to apportion the blame between the two nations which are unhappily involved; for, regardless of cause or responsibility, it is clear beyond peradventure that a situation has developed which cannot, under any circumstances, be reconciled with the obligations of the covenants of these two treaties, and that if the treaties had been faithfully observed such a situation could not have arisen.

The signatories of the Nine-Power treaty and of the Kellogg-Briand pact who are not parties to that conflict are not likely to see any reason for modifying the terms of those treaties. To them the real value of the faithful performance of the treaties has been brought sharply home by the perils and losses to which their nations have been subjected in Shanghai.

This is the view of this government:

We see no reason for abandoning the enlightened principles which are embodied in these treaties.

We believe that this situation would have been avoided had these covenants been faithfully observed. And no evidence has come to us to indicate that a due compliance with them would have interfered with the adequate protection of the legitimate rights in China of the signatories of those treaties and their nations.

On Jan. 7 last, upon the instruction of the President, this government formally notified Japan and China that it would not recognize any situation, treaty or agreement entered into by those governments in violation of the covenants of these treaties, which affected the rights of our government or its citizens in China.

If a similar decision should be reached and a similar position taken by the other governments of the world, a caveat will be placed upon such action which, we believe, will effectively bar the legality hereafter of any title or right sought to be obtained by pressure or treaty violation, and which, as has been shown by history in the past, will eventually lead to the restoration to China of rights and titles of which she may have been deprived.

In the past our government, as one of the leading powers on the Pacific Ocean, has rested its policy upon an abiding faith in the future of the people of China and upon the ultimate success in dealing with them of the principles of fair play, patience and mutual good-will. We appreciate the immensity of the task which lies before her statesmen in the development of her country and its government.

The delays in her progress, the instability of her attempts to secure a responsible government were foreseen by Messrs. Hay and Hughes and their contemporaries and were the very obstacles which the policy of the open door was designed to meet.

We concur with those statesmen, representing all the nations in the Washington conference who decided that China was entitled to the time necessary to accomplish her development. We are prepared to make that our policy for the future.

Very sincerely yours,

HENRY L. STIMSON.

IV—Chinese Split on War Policy

By HAROLD S. QUIGLEY

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ALTHOUGH there was evidence of collaboration of a limited sort in military affairs between the various Chinese factions in Central China, the outstanding fact during February and early March was the continued absence of harmony between the Cantonese leaders—Sun Fo, C. C. Wu and Eugene Chen—and Chiang Kai-shek, dominant figure in the national government, although Wang Chiang-wei, also a member of the Cantonese clique, continued as chairman of the executive *yuan*, in which post he was virtually Premier, and Quo Tai-chi, another Cantonese, worked as Vice Minister of Foreign Affairs with Lo Wen-kan, a Conservative.

The apparent difficulty, apart from

personal factors, was the difference of view on the question of resistance to the Japanese military movements at Shanghai. Chiang Kai-shek, while resenting those movements, appeared to oppose active resistance to them, but Sun Fo and Eugene Chen, as well as the commanders of the Cantonese forces garrisoning a portion of the Shanghai territory, favored the most vigorous military opposition of which the country was capable.

From the new seat of government at Loyang, Premier Wang Ching-wei issued a statement that if China were now willing, as President Yuan Shih-kai had been in 1915, to sign an infamous treaty bargaining away the country's sovereign rights, the solution of the present problems would not be long delayed. Japan, he said, had attacked China to obtain such a treaty, but China was determined "not to sign a treaty prejudicial to her territorial and administrative sovereignty."

On Feb. 9, dispatches from Nanking, where a skeleton administrative establishment was maintained, stated that the country had been divided into four military zones, with Chiang Kai-shek coordinating all commands. At Tientsin, however, the Japanese had cowed the Chinese municipality, and the same was true at Peiping. From Shanghai southward was the region of real opposition to Japan, as was evidenced by actions at Foochow, Swatow, Amoy and Canton.

Chambers of commerce of various Chinese cities donated large amounts to the support of the Nineteenth Army, which was defending Shanghai. Leaders at Canton said they would set up a separate national government if an unacceptable peace were made with Japan. Although on Feb. 13 it was reported that Chinese bankers of Shanghai were willing to pay the Nineteenth Army to retire from the city and also that a Japanese emissary had offered the Cantonese commander, General Tsai Ting-kai, money and the Governorship of Kiangsu province to withdraw, on Feb. 19 reports stated that defeatism among the Chinese bankers had disappeared. At Canton arrangements were under way to import new airplanes for local defense in order that the existing air force might be sent to Central China.

At Hankow on Feb. 24 the tension between Japanese and Chinese was growing worse. All able-bodied Japanese had been armed. Tension was also reported at Ichang, further up the Yangtse. Speculation was heard as to the effect upon the Sino-Japanese situation in that region if Hankow should be taken by Communist armies, which, on Feb. 16, captured Nanchang, capital of Kiangsi. Kanchow, in southeast Honan, was under attack by Communist forces at the end of February. The Loyang Government appointed General Chen Chai-tang, military commissioner at Canton, to command an anti-Communist campaign in Kwangtung and Kwangsi.

A Shanghai report stated on Feb. 29 that the Foreign Affairs Commission of the Loyang Government had approved resumption of full diplomatic relations with Soviet Russia.

V—Manchuria in the Grip of Japan

THE partition of China is not originally a Japanese conception. For that the European powers were responsible, whether control took the form of outright cessions, following conquests, or of protectorates over outlying territories such as Tibet and Outer Mongolia, or of leased areas, spheres of interest and residential concessions. Lord Charles Beresford's book, *The Break-Up of China,* published in 1899, revealed how far the process of partition had already gone at that time. There

followed the displacement by Japan of Russia from her treaty position in South Manchuria, the creation of the South Manchuria Railway Company as a Japanese governmental agency and the inauguration of the program of absorption of Manchuria into the Japanese Empire. The recent founding of an independent State of Manchuria can with difficulty be viewed in any other light than as a major stage in that program.

The Japanese military authorities explain Chang-Hsiao-liang's expulsion and the creation of a separate State —just how separate from China remains ambiguous—as the action of unhappy subjects eager to found a government "on the basis of the people's will." But would the 29,000,000 Chinese of Manchuria, for example, choose Henry Pu-yi, the inexperienced scion of a discarded dynasty, to rule them? The negligible proportion of Manchuria's population which is of Manchu race justifies describing his fief as indeed a country without a people. Again, would a free choice—assuming the people were politically mature enough to make a choice—find them electing as Governor some of the very men who served under Chang Hsao-liang, men whose questionable cooperation is under suspicion of having been obtained through purchase or intimidation?

With the fall of the Minseito Ministry in Japan, in which General Jiro Minami, as Minister of War, initiated, without Cabinet approval, the occupation of the southern half of Manchuria, General Sadao Araki was appointed to the War Office. General Minami went to Manchuria, apparently to complete the task begun with force by assisting in the organization of the occupied area and in reorganizing the Japanese administration there in order to accommodate it to the new situation.

According to the American weekly published in Shanghai, *The China Weekly Review* of Feb. 6, in the latter part of January the hotels in both Mukden and Dairen were "filled to overflowing with Japanese gentlemen who are trying to reconstruct something of material benefit to Japan from the wreckage which has been created on Chinese soil by the Imperial Japanese Army. These gentlemen, whom we may designate as 'State builders,' include university professors, economists, financiers, industrialists, militarists, politicians, and what-not." The *Review* quotes one of the Japanese thus engaged, Professor M. Royama of the Tokyo Imperial University, to this effect: "Manchuria is a colony of China, and so it is to Japan. Apart from the propriety of setting up an independent State therein, such enterprise might be feasible in case of some power lending a hand in protecting and guiding it. The question of who is the sovereign head is only a matter of detail."

A "Northeastern Administrative Committee," composed of the Chinese Governors of Liaoyang (or Fengtien), Kirin and Heilungkiang, the three provinces of Manchuria, the Mayor of Harbin and two Princes of Mongolia, together with the Governor of Jehol, was reported to have issued a formal declaration of the independence of Manchuria and Inner Mongolia on Feb. 18. The statement included a promise to maintain the Open-Door policy and equality of opportunity.

This declaration indicated that at least the military department of the Japanese Government was prepared to disown Japan's frequently avowed recognition of Manchuria as a part of China. It will be recalled that Count Uchida, now president of the South Manchuria Railway, visited the United States in 1928 for the express purpose of reassuring the American Government upon this point. Still more recently, on Nov. 9, 1931, Ambassador Debuchi handed to Secretary Stimson a memorandum which declared that "the Japanese Govern-

ment remain unchanged in their stand against the partition of China."

In contrast with this attitude, so distinctly in accord with that of the United States, was the reply of War Minister Araki to a correspondent's question concerning what link would exist between Manchuria and the rest of China. He said: "In my opinion it will be for the benefit of the people of Manchuria and will promote the general peace if Manchuria is separated from China." However, when asked if Japan would recognize the new State, a spokesman of the Foreign Office, with well-directed irony, replied: "We are in no hurry; we have no canal to build."

The inauguration of Pu-yi took place at Changchun, junction point of the Chinese Eastern and South Manchuria Railways, on March 9. His title is *chih cheng,* or "dictator"; in Japanese, *genshu.* Since 1924, when he was expelled from his palace-prison in Peiping by General Feng Yu-hsiang, the former "Little Emperor" has lived under Japanese protection in Tientsin. He has been a nonentity in Chinese politics since 1917, when, still a child, he was held on the Dragon Throne for a few days by an ambitious militarist, General Chang Hsun. He is now about 30 years old. The inaugural ceremony was simple, taking place before a small audience of Chinese and Japanese.

Dispatches stated that a constitution similar to that of the National Government of China would be placed in effect. The choice of Changchun rather than Mukden for the capital was not explained. The former is in Kirin Province and more centrally located.

Among those who participated in organizing the government was General Ma Chen-shan, the "hero of the Nonni," who was the first of the minor satraps of Manchuria to resist the Japanese forces. Rumor had it that he had been heavily bribed to change sides. He was appointed Governor of Heilungkiang Province. Writing to Marshal Chang Hsiao-liang at Peiping, General Ma apologized and explained his action as motivated by a desire for the people's welfare. Reports that he had been assassinated were disproved when he appeared at Changchun to witness the inauguration of Pu-yi.

In a lengthy statement the National Government of China recited the three resolutions of the Council of the League of Nations, dated Sept. 30, Oct. 24 and Dec. 10, 1931, respectively, which recorded Japan's statement that it had no territorial designs in Manchuria. The Chinese statement then said:

"The Three Eastern Provinces, also known as Manchuria, are always an integral part of China and any usurpation or interference with the administration therein constitutes a direct impairment of China's territorial and administrative integrity. Article 1 of the organic law of the National Government, of Oct. 4, 1928, which was proclaimed in Manchuria as well as the other provinces of the republic, provides that the National Government will exercise all the governing powers of the Chinese Republic. The provisional constitution of June 1, 1931, expressly provides that the territory of the Chinese Republic consists of the various provinces, Mongolia and Tibet, and that the Chinese Republic will be a unified republic forever.

"The territorial, political and administrative integrity of the Chinese Republic, besides being an attribute of a sovereign State according to international law, is guaranteed by Article X of the League covenant and Article 1 of the Nine-Power treaty. * * *

"Now, in defiance of all law and solemn obligations, the Japanese authorities who are in unlawful occupation of the Three Eastern Provinces, are endeavoring to set up in these provinces a so-called independent government, and are trying to compel the Chinese citizens to participate in the puppet organization. The National

Government has repeatedly and emphatically protested against the illegal actions of the Japanese Government, and hereby again declares that it will not recognize the secession or independence of the three Eastern Provinces or any part thereof, or any administration which may be organized therein without its authority and consent."

The Nanking Government censured Marshal Chang Hsiao-liang for remaining inert at Peiping while the land of his ancestors was in danger. He replied with an avowal of intention to do his utmost to expiate his crime by recovering the territory. The reality of his policy seemed, however, to be submission to any degree of Japanese insolence, since he closed the English-language newspaper, *The Leader,* and made a personal call at the Japanese Legation to apologize, when complaint was made that the paper had printed "an extremely disrespectful article."

Chinese volunteers numbering 200,000 were reported to be organizing belatedly in Manchuria to recover control of the region. Fighting occurred at Tunhua, rail junction in Kirin Province, during the latter days of February.

The attitude of the United States toward the new State appears to have been predetermined by Secretary Stimson's note of Jan. 7, in which the government declared "that it does not intend to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenants and obligations of the pact of Paris." In London official sentiment was inclined to view the suggestion of Secretary Stimson, in his letter to Senator Borah, for an international pronouncement which would "effectually bar the legality hereafter of any title or right sought to be obtained by pressure or treaty violation," as quixotic. It was indicated that the British Government would allow its view of British interests to determine the question of recognition. Although British officials were said to be impressed with the Japanese argument that their action had American encouragement of the revolt of Panama from Colombia in 1903 as a precedent, it seemed probable that British interference with a closer union between China and Tibet also was in their minds.

The Soviet Union declined to recognize the new State but accepted the dismissal of Mo Teh-hui, Chinese president of the Chinese Eastern Railway. He was replaced by Li Shaokeng, a member of the railway's directorate. Mo refused to accept orders from the new Manchurian Government. Soviet acquiescence in Japanese policy was indicated when General Tamon was permitted to cross the Chinese Eastern Railway to attack and occupy Tsitsihar last November. Commenting upon this success, Mr. Y. Tsurumi, a Japanese propagandist, pointed out, according to the *Japan Weekly Chronicle* of Jan. 21, that it had driven a wedge into North Manchuria and established Japan's interests there. The inclusion of Jehol in the Japanese protectorate also would affect Russia, since it would bring Japanese influence effectively closer to Mongolia and Peiping.

A thousand Japanese soldiers were sent to Harbin on Jan. 29 without notice to the Soviet Government after riots in which Russians and Chinese engaged in bloody street fighting. This action involved forcible use of the branch of the Chinese Eastern running from Changchun to Harbin. Subsequently Russian approval was obtained, but because of Chinese military resistance to the expedition it became necessary to reinforce the first contingent and Harbin was not occupied until Feb. 5. News of the taking of the city was received in Moscow without comment except for expressions of apprehension lest the success of the Japanese should excite the 100,000 White Russians in Manchuria to attempt a *coup d'état* in Eastern Siberia.

Voroshilov, Soviet Minister of War, declared on Feb. 23 that bands of Russian White guards were being organized to seize Soviet interests in the Far East. Denial was made, however, of a Mukden press report asserting that the Soviet had increased its force in Eastern Siberia. Japanese forces were permitted, however, on March 3 to use the Chinese Eastern line in sending troops to Imienpo, 100 miles east of Harbin. In that connection the Soviet Government reminded Japan that the Portsmouth treaty forbade both Russia and Japan to operate railways in Manchuria except for commercial and industrial purposes.

Nevertheless, Soviet relations with Japan began to show signs of the strain of Japanese aggression. Early in March the Soviet Government published in its official organ, *Izvestia,* two documents which it claimed had been prepared by "leading Japanese military commanders" advocating an attack upon the Soviet Union in Siberia. This was followed by an editorial in the same paper which, while reiterating the desire of the Soviet Union to remain neutral in the Far Eastern conflict, openly impugned the friendly intentions of Japan and declared readiness to fight if attacked. The editorial was broadcast throughout Russia by radio and reprinted in all the principal newspapers on March 5, thus making its statements an official declaration of the Soviet Government. On succeeding days *Pravda* and *Izvestia* continued the attack upon Japanese motives with increasing bitterness. The significance of these pronouncements was heightened by their contrast with the attitude of careful neutrality which up to this time had characterized the Russian comment on the Far Eastern crisis. The immediate cause of the Soviet change of front was the penetration of Japanese forces into northern Manchuria near the Siberian border. The Soviet Government, however, seems to have been for some time quietly preparing for this contingency by concentrating a large detachment of the Red Army on the Manchurian frontier. Soviet interests in Manchuria, especially with regard to the Far Eastern Railway, collide at many points with Japanese objectives. It should also be pointed out that the strategic value of Vladivostok might tempt Japan to find a pretext to take control of that city. H. S. Q.

VI—Japan Votes for "Strong Policy"

ON Jan. 24, nearly a month before the Japanese election, which took place on Feb. 20, Premier Inukai, Foreign Minister Yoshizawa and Finance Minister Takahashi addressed the two houses of the Japanese Diet. The Premier dealt with the attempted assassination of Emperor Hirohito on Jan. 8, the Manchurian crisis and national finances. He explained that the Cabinet, having resigned to show its sense of responsibility after the attack upon the Emperor became known, had been commanded by him to remain in office.

After declaring that Japan had "no imperialistic designs upon Manchuria" and that all Japan wanted was "the observance by China of all the existing treaties," Premier Inukai discussed finance, and asserted that by placing an embargo upon the export of gold and suspending the conversion of bank notes into gold, the Cabinet had saved the country's industries from utter collapse. Taxes were not to be increased and living conditions were to be stabilized, to the end that "the dangerous turn which the thought of the people has taken in recent years" may be counteracted.

Foreign Minister Yoshizawa directed his remarks almost entirely to the Manchurian problem. He adopted

the stock arguments now so familiar —Japan's efforts for the development of Manchuria, the menace of Chinese methods of "oppression," the strain on Japanese patience, the final straw—the inevitable collision. He said that "Japan harbors no territorial designs in Manchuria" and that "she will uphold the principles of the open door and equal opportunity as well as all existing treaties relating to that territory." Turning to conditions in other parts of China he recalled, without reference to Japanese acts and policies, the development of anti-Japanese feeling, which, he declared, was fostered by unofficial organizations "under the direct or indirect direction and encouragement of the government * * * quite against the free will of the Chinese merchants and the people in general." Ignoring also the massacre of more than a hundred Chinese in the principal cities of Korea in the Summer of 1931, the Foreign Minister averred that "compared with the complete protection which persons of Chinese nationality are afforded within our borders, the indescribable persecution to which our fellow-countrymen are being subjected in China presents, indeed, a glaring contrast." He expressed the opinion that normal relations with China would not be attained for some time, and took the opportunity "to express the satisfaction of the Japanese Government" toward Soviet Russia, which has "steadily maintained an attitude of impartiality and non-interference throughout the present affair."

The Finance Minister explained that the government proposed to take over the draft budget of its predecessors except for the item of tax increase. He anticipated a large drop in revenue, which was to be met by borrowing. Bond issues amounting to 191,000,000 yen (at par about $95,000,000) were in prospect. The policies of the previous Cabinet were attacked as having perilously undermined the gold standard. In the House of Peers former Finance Minister Inouye replied to Mr. Takahashi, pointing out that the buying of gold dollars had begun to decline nearly two months before the embargo was re-established, and implying that the embargo had been imposed for political reasons, to benefit a few financial interests.

Mr. Takahashi had no sooner finished his address in the House of Representatives than an imperial messenger arrived with orders to dissolve the house. With shouts of *banzai* ("hurrah"), members hurried to telegraph offices to send hundreds of messages to their constituents for the opening of the electoral campaign. The voting took place on Feb. 20. The Minseito, which enjoyed a majority after the 1930 election and which had won a majority of the intervening elections for prefectural assemblies, was handicapped by the defection of Kenzo Adachi, recently Home Minister, who had conducted its campaigns in the past with masterly skill. Adachi resigned from the Minseito, it will be remembered, after he had caused the Cabinet itself to resign on Dec. 11.

The campaign was described as the dullest since manhood suffrage went into effect in 1928 with thirty-nine candidates having no opposition. The Seiyukai put forward 326 candidates, the Minseito 268, the Labor parties 34, and various candidates represented small groups, or stood independently. Meetings were poorly attended and the authorities felt constrained to urge people to vote. War fever, popular disillusionment as to the utility of the suffrage and diminished party funds contributed to the absence of enthusiasm. The question of policy toward China was not an issue, both parties taking a patriotic line in support of the armed forces. The Seiyukai promised prosperity; the Minseito denounced the Seiyukai. No vital issues were presented to the voters.

The Seiyukai won 304 seats, the Minseito 147. Previously the Seiyukai had held 174 places, the Minseito 273. The Adachi group obtained five seats, Labor five, Kakushinto two, and in-

dependents three. No members were returned by the Kokumin Doshikai, or Business Men's party. The vote was interpreted as an emphatic verdict for a "strong policy" toward China.

An extraordinary session of the Diet was called to open on March 15 in consequence of the refusal of the Privy Council to sanction further required expenditures for the Shanghai expedition by imperial ordinance. The Executive had appropriated, without approval of the Diet, but under constitutional provisions, 76,000,000 yen (at par $38,000,000) for the expeditions in China before its last request for an additional 22,000,000 yen ($11,000,000). The estimated cost of maintaining these two expeditions indefinitely was 10,000,000 yen ($5,000,000) a month. Japan's gold reserves meanwhile continued to decrease.

Opposition to the military program on the part of Japanese financiers was believed to be responsible for the acts of youthful "patriots," who assassinated former Finance Minister Junnosuke Inouye on Feb. 9, and Baron Takuma Dan, general director of the Mitsui Gomei Kaisha, Japan's largest corporation, on March 5. As Minister of Finance, Mr. Inouye had made strenuous efforts to balance the budget by introducing economies, among them a decrease in the military and naval estimates. He had earned the ill-will of former Home Minister Kenzo Adachi—who boasts of his connection with the murder of the Queen of Korea—by his rise toward the leadership of the Minseito, whose next Premier he seemed destined to be. He was killed by pistol shots fired by one Sei Konuma, a young loafer and member of Seisanto, a so-called patriotic society, whose membership includes a large proportion of *soshi,* or thugs, who are ready at any time to waylay important personalities, even to put them out of the way, if convinced that the men higher up, who are above such tactics, desire a freer hand.

Baron Dan was shot by a youth named Goro Hishinuma, a peasant lad like Konuma, now said by the Tokyo police to belong to the same blood brotherhood as the latter. The Baron was a friend of Adachi, and director of the house of Mitsui, which, when the Minseito Cabinet was overthrown profited enormously by purchasing yen at a heavy discount with the gold dollars it had acquired for speculative purposes. Baron Dan had, however, as a member of the Japan Economic Association, advised the Minister of War, General Araki, himself a member of Kokusuikai, one of the most powerful of the patriotic societies, against an extensive flotation of bonds. Other business men also had expressed apprehension of the growing antagonism in the United States as evidenced by the flood of petitions in favor of a boycott against Japanese goods. They feared lest the loan market should be closed to Japan.

Baron Shidehara, close friend of Mr. Inouye and Liberal Foreign Minister in the Minseito Cabinet, was reported seriously ill early in February. He fell foul of the militarists when he sought to restrain them from occupying Chinchow last November and he also is remembered for his work in obtaining ratification of the London Naval Treaty of 1930. Rumor had it that he had been poisoned.

H. S. Q.

Japan's Apprenticeship in Democracy

By Hugh Byas

HAVE the forces at work in Japan during the past six months been truly representative of the wishes of the Japanese people? It is generally believed that the Island Kingdom has a government at least outwardly dependent upon popular vote, but the determined prosecution of anti-Chinese measures, in the face of protests from the rest of the world, has led many to conclude that such is not the case.

Representative government in Japan has now had forty-two years' trial, and during that time it has taken root and made progress. Whether it will flourish and increase in power remains to be seen; the corruption and feebleness of politicians, on the one hand, and the power and impatience of the army, on the other, may bring it to destruction. The principles of majority government were ignominiously repudiated after the Wakatsuki Cabinet fell on Dec. 11, 1931, apparently so that a change in national financial policy might be brought about. The Manchurian struggle, in which the army acted with a remarkable degree of independence, has been carried on in a manner which shows that the power of the representative element in Japan is at times distinctly limited. The Shanghai fighting, involving the dispatch overseas of large naval and military forces, was begun without reference to the Imperial Diet.

The Japanese Diet is bicameral, with the upper chamber a reformed House of Lords. Imperial princes, princes (the rank corresponds to that of an English duke) and marquises become life members by right of birth when they reach the age of 30. This purely hereditary element numbers 59 in a house of 396 members. About two-fifths of the house is chosen by the other orders of nobility—counts, viscounts and barons—who elect a proportion of their number to sit for seven-year periods. The Imperial Academy of Science appoints four members. One-third of the members are commoners who have been nominated for life in recognition of public and political service. Approximately one-fifth are high taxpayers, chosen septennially by the limited circle to which they belong. There are various groupings in the upper house, but they do not follow the party lines of the lower house, and a list of their names would mean nothing The largest, for instance, the Kenkyukai, has a name which means the "study" or "investigation" party. The Kaseikai and the Koyukai have names which imply mutual consultation. The Kayokai is simply the Tuesday Club, and so on.

The Constitution makes the upper house equal in power and prestige with the elected house. The peers can occasionally destroy a government but they cannot make one, and their function has become more and more that of a body that revises and delays—a forum where the most conservative and experienced opinion of the nation is heard. Direct contact with the nationwide electorate has given the House of Representatives a vitality which the brilliant security of the upper house cannot confer.

The House of Representatives con-

sists of 466 members elected by constituencies averaging some 27,000 voters in each. All males over 25 (except bankrupts and criminals) have the vote, and elect the whole house at least once every four years. There are two major parties and several minor groups. At the dissolution on Jan. 21, the house was divided as follows:

Minseito	247
Seiyukai	171
Minor blocs	29
Independents	3
Vacancies	16
	466

"Minseito" is a combination of three ideographs meaning "people (or nation)," "politics" and "party"—the "popular government party." "Seiyukai" is a similar combination of ideographs and its meaning may be rendered as "political, or constitutional, friends party."

The Constitution ordains that the Diet shall sit for three months each year, but by assembling at the end of December and immediately adjourning over the New Year holidays the members usually do not do more than two months' work. They are paid $1,500 for the session.

The House of Representatives meets in a bare and undignified hall where semi-circular rows of members face a platform on which the Cabinet Ministers sit. Three sides of the hall are surrounded by large galleries. The chamber has accommodation for about 100 reporters; a dozen cameras rest on the ledge of the gallery in perpetual readiness. The newspapers devote at least a page a day to the proceedings and enliven the daily lesson in democracy by adding cartoons and pictures. There is no party press in Japan, and this allocation of space is a genuine measure of its news value. The Diet begins business without formality when the Speaker, or President of the House, appears, followed by the Cabinet Ministers, who take their seats on the platform in order of seniority. The Ministers, with portfolios before them and secretaries behind them, look like directors confronting dissatisfied shareholders or candidates facing a meeting, half of which is hostile. The public galleries are always full.

The session begins with set speeches on policy from the platform by Cabinet Ministers. These statements are followed by a general criticism cast in the form of interpellations. An interpellation is simply a speech arraigning the government, each paragraph of which culminates with a demand for an explanation. The member speaks for twenty or thirty minutes makes his point and leaves the tribune to the Minister whose department is concerned. The Minister gives his answer, which is usually brief, and the questioner returns refreshed to the fray. One Seiyukai member in a three-hour interpellation caused eleven Ministers in turn to answer him. The method leads to repetition, but allows weaknesses to be thoroughly explored It is a duel between floor and platform, rather than a debate carried forward by successive speakers. Interpellations continue until the budget and the various bills are returned from the committees to which they have been referred. The bills are then open to debate, and private members of the government party can speak in support of their party and policy But the debate is often brief, interpellations having exhausted the interest of the house.

The speaking is usually good. Although the highest levels of oratory are seldom reached or sought, members as a rule speak with fluency, make themselves clearly heard, allow no interruption to go unpunished and are able to keep the thread of their discourse intact through stormy interludes. It should be remembered, however, that the examination of bills and even of the budget is a subordinate part of the Japanese politician's duties. The real purpose of the Opposition is to discover the weaknesses of the government and to exploit

them, either by exposing them to the public or by introducing dissension into the government party.

The Japanese House of Representatives can hardly be called a legislative body. It devotes much talk to discussions of policy and relatively little to practical debate of such details as the price of rice, taxation and tariffs, official efficiency, official corruption, profits of public utility companies, the condition of industry, farmers' debts and the valuation of land. Matters of administration which have caused public concern can, however, be thoroughly examined. This examination sometimes turns the House into more of a Donnybrook Fair than a forum when excited members rise from their seats and shout at the Cabinet Ministers on the platform. Though the Japanese in their ordinary affairs are a people of polished courtesy, their parliamentary manners are beyond question bad.

But this innovation of democracy by which the elected representatives of the masses can debate every aspect of the country's affairs is unknown to the Confucian or any other Oriental code; the Anglo-Saxon "courtesy of debate," developed through long experience by commercial peoples whom centuries of trading had taught the value of cool heads in an argument, has not had time to be assimilated, and political controversy quickly rouses the excitable nature of the Japanese. The very procedure encourages interruption, for by the method of interpellation the government is continually under fire. The oratory is largely furnished by the Opposition, while the government side relieves its feelings by interjections.

When members show imperfect control of their tempers it is natural that their supporters and sympathizers, the hangers-on of the political parties, should imitate their example; brawls are common in the lobbies between politicians who call themselves by the fine old name of *ronin,* or free-lance, but who might be much more truly described as political toughs. It is a disgrace to the parties that they should, each and all, have their following of gangsters. Yet, though scenes in the House are dramatic material for the reporters, it would be a false picture which left out the hours and days of reasoned criticism of national policies, and a false history which did not recognize that the "good old days" were, if anything, worse than the present. The elected House is not yet an assembly where debate proceeds in an atmosphere of calm, but as a debating and criticizing machine it has made undeniable progress.

Mr. Inukai, the present Prime Minister, recently described the Japanese political parties as "a means of gaining power." Genuine differences of political principle can hardly be said to exist. The parties are still for the most part merely clans which attach themselves to this leader or that party for the reward that a party in power can bestow on its followers. Cabinet Ministers need not be members of the party which forms the government. Certain broad comparisons may nevertheless be drawn between the present Opposition party, the Minseito, and the Seiyukai, now in power. The former stands for the gold standard, deflation and economy; the latter favors the stimulation of industry by subsidies and government aid. The Minseito passed the laws which established manhood suffrage and attempted to give municipal votes to women and to enlarge the male electorate; the Seiyukai opposed those measures. The former is stronger in the towns, the latter in the country. But those differences are due to the personal beliefs of leaders more than to the spirit of the party.

The influence of the city electorates —great newspaper readers and more alert than the peasant farmers—gives the platforms of the Minseito a progressive tinge and disposes the party to be more liberal in legislation and administration than the Seiyukai,

which draws its support from the conservative half of the electorate. Both parties had the same kind of origin. They did not spring from differences of principle on political issues, but were made up of stalwarts who assembled around the standards of rival leaders in the hope that the spoils of victory would reward the toils of battle. They still bear their birthmarks, and there is little to choose between them except when one or the other happens to enjoy a spell of enlightened leadership. But the situation is evolving. The old neutral or independent groups, those waiters on providence whose neutrality lasted only until they had obtained its price, have disappeared with the coming of general suffrage, and there are now really but two parties in the field. Social trends seem to be making of the Minseito a liberal party, supported mainly by the towns and embodying the progressive instincts of the Japanese people, and of the Seiyukai, strong in the country and supported by the landowners and some great industrialists, a conservative party.

Labor is the newest party and it differs from the many other small groups in having a distinctive political creed. But it is as yet nothing more than an embryo. In the first House of Representatives chosen under manhood suffrage, Labor elected nine members; one was murdered by one of those fanatical gangsters of politics already mentioned, and three failed to secure re-election. The Labor party in the last session comprised five members who belonged to three groups. The strongest of the groups, with three members, was the Social Democratic party, which models itself on the British Labor party. The Farmer Labor party and the Masses party were represented by one member each. None of the Labor members is drawn from the ranks of the workers; all come from middle-class homes. So small a handful can only use the Diet as a platform from which to appeal to the imagination of the country; thus far, however, the Labor members have failed to make any conspicuous use of even the admittedly scanty opportunities. A liberal-minded member of the Minseito thinks that by "speaking above the heads of the people, they have failed to reach their hearts." Like the European Socialist parties in their early days, Japanese Labor groups are perpetually splitting and coalescing. In the recent election the Social Democratic party had a working arrangement with the Ronoto, or Masses, party.

The Japanese House of Representatives has grown. It was originally conceived—and conceived of itself—as an assembly with which the government appointed by the Emperor could consult in order that public opinion might understand and support Ministerial policy. But the Ministers now know that without the consent of the floor they cannot be on the platform. Without a majority in the elected house a Japanese Government cannot long exist. That situation was at first met by bureaucratic statesmen who arranged to win the support of a majority bloc or party in return for favors bestowed. Now, however, the House is divided into two definite political parties, with their organizations in every constituency, and the government of the day is drawn from the majority party. No one who knows Japanese politics would take the risk of predicting that there will be no more "super-party" Cabinets, but the chances are decidedly against their reappearance.

The experiment of representative government in Japan has now had a long trial, and the measure of its success can be best seen by a brief review. The first houses were chosen by an electorate numbering about 500,000. The legislators had little in common except the idea that they were against the government, assailed successive administrations with wild and puerile criticism, and were so new to politics that it was difficult to choose from their number a committee that

could discuss the budget intelligently. They coalesced into groups which continually dissolved and recombined. An early effort to form the liberal elements into a combination strong enough to support a party Cabinet had six months of success, followed by sixteen years of impotence, during which bureaucrat succeeded bureaucrat. That phase ended in 1914 and was succeeded by a phase in which bureaucrats alternated with party leaders, but were increasingly forced to depend on parties and admit party leaders to office. That period ended in 1924.

Today the electorate numbers 13,000,000. By means of a scientific system which approximates proportional representation, it elects a legislature from candidates belonging to two distinct parties. The leader of the majority party becomes head of the government and carries out policies which have the approval of the party.

The system has numerous faults. Bribery is rampant in elections; party funds are corruptly obtained and corruptly spent; "big business" can influence government, and is in turn made to pay tribute to the politicians. The elected House does not attract the best men to its membership, and it has all the faults which are cited in indictments of democracy as if they were special vices of democracy and not the vices of human nature. The system has weaknesses peculiar to Japan in that powerful established groups, such as the Privy Council, the House of Peers, at times the army and navy, can cause the downfall of Cabinets, even though the latter may have a majority in the elected House.

With all its faults, the Japanese system possesses the two main advantages of democracy. First, a bad or tired or unpopular administration can be dismissed by popular vote in an orderly way at the end of a period which cannot exceed four years. Second, the government is organically in contact with the masses and is consequently saved from the risk that it may become a thing of bureaucratic routine and theory, weighing soullessly upon the people and bound to alienate their loyalty.

Ten years ago one met Japanese voters who supported the government at elections simply because it was the Emperor's government. In 1916 the late General Terauchi, having become Prime Minister (with the support of the Seiyukai) bluntly told the members of the Diet in his first speech that he was not responsible to them. No Prime Minister today would say that; he would leave the expression of such obsolete orthodoxies to Privy Councillors, who are not elected and cannot be defeated. A generation has grown up accustomed to see every action of governments exposed to criticism, discussed in the press and indicted in the Diet.

The present party system has defects peculiar to itself, to be sure—defects which are due to the circumstances from which it sprung. These defects may be greater than others that are found elsewhere, but they are of less consequence than the fact that an Asiatic nation has shown itself able to devise and operate a system of national government on a basis of manhood suffrage. The change has been gradual and orderly, and so its importance is not always realized. But there it is—bureaucratic government has become party government, the consultative assembly has become a two-party Legislature, the 500,000 voters have become 13,000,000. The power of making changes implied in this development is a tribute to the inherent soundness of the democratic principle; it is also a powerful guarantee that Japan will be able to face the changes of the future with the practicality and adaptiveness which have carried her thus far forward.

On the Frontiers of Science

By WATSON DAVIS
Managing Editor, Science Service

IN the onward rush of scientific research there are discoveries that promise to explain the past or influence the future, revolutionize an industry or change the stream of thought, cure an ill or explain a mystery of nature. Few are immediately translatable into "practical" effects; often many hands and minds for many years must shape the clay in which the material changes of civilization are fashioned. Time, therefore, gives perspective to science as to all things. What assortment of current science progress, not immediate in effect, will prove to have been worth recording as the months pass?

Out of the Canadian Northwest territories, far beyond rail, where air and water provide expensive or difficult means of transportation, comes the cry of "Radium!" somewhat as "Gold!" had echoed from California and Alaska in earlier years. The discoveries of pitchblende deposits at Great Bear Lake made last year by La Bine, a Canadian, are rich in radium content, some samples being worth from less than $4,000 to more than $10,000 a ton. These are gross values from which high costs of transportation, refining and selling would need to be deducted. These discoveries will probably affect the world supply of radium, although conservatism is naturally justified as to the immediate effects.

T. Cunliffe Barnes, working in the laboratories of Yale University, offers the suggestion that ice water in large quantities, following the melting of the great continental glaciers, may have been an indirect cause of accelerating the evolutionary changes that seem to have followed each of the earth's great ice ages. To this suggestion might be added a speculation that a like effect may be operative more or less constantly in frosty northern lands, where evolution seems to be more rapid than in the languid tropics. Each Winter a miniature ice age may give a slight impetus to evolution, just as a glacial epoch may have given a big one. The research on which these suggestions are based was conducted with Spirogyra, a microscopic green plant common in sluggish fresh waters. Growths of equal size were started in each of three kinds of water. One was water in which most of its molecules are free and unattached, a state most completely attained in steam. The second kind was "common" water, in which most of the groups are bound together in paired molecules. The third was "trihydrol" water, with the groups predominantly three in a bunch. Ice is richest in trihydrol, but water from recently melted ice also contains large numbers of trihydrol molecules. Mr. Barnes found that by far the most vigorous growth of his Spirogyra cultures took place in the trihydrol water.

Dr. Otto Rygh and Dr. Per Laland, two Norwegian scientists, have shown that vitamin C is derived from a poison found in opium. The parent substance of the life-essential, scurvy-preventing vitamin C is none other than the poison narcotine, one of the alkaloid poisons found in opium and related to morphine, though, in spite of its name, it does not have any nar-

cotic effect. It is transformed into vitamin C during the ripening of fruits and vegetables. The isolation of vitamin C and discovery of its parent substance came as a result of studies of the occurrence of the vitamin in various fruits and vegetables, such as oranges, lemons, tomatoes, white cabbages and potatoes. Guinea pigs were fed on a diet containing narcotine and on a diet containing narcotine that had been exposed to ultra-violet light; both groups of guinea pigs died at the same time, but the group that had been fed on the solarized product showed no signs of scurvy, while the other group was severely affected with it. It was found that methylnor-narcotine, derived from narcotine, could prevent or relieve scurvy. It was also found that narcotine was converted into an anti-scorbutic by submitting it to the action of germinating seeds.

New photographic plates that see heat and promise to be of service to science as a new tool have been devised at Rochester, N. Y. They take pictures in the dark and through them a new era of photography and spectroscopy may be opened. Dr. C. E. Kenneth Mees has reported the results of using a new dye discovered in his laboratories for sensitizing plates to infra-red radiation, the invisible light that is longer than can be seen by the eye. A photograph of a flat iron was taken in the dark with its own heat rays. Dr. W. F. Meggers, Dr. C. C. Kiess and Dr. C. J. Humphreys of the United States Bureau of Standards, using the new plates, discovered many new spectroscopic lines of thirty-six chemical elements. These new "flags" of the elements were found in the region of the spectrum lying between wave lengths of 9,000 and 11,200 Angstrom units. The plates sensitized with the new dye record a wide band of invisible heat "light" from 8,000 to beyond 11,000 Angstroms, with a maximum at 9,600 Angstroms. Not only do the new infra-red sensitive plates "see" further into the infra-red than ever before, but they have a speed 100 to 1,000 times that of the best plates that have ever been made before for the infra-red region. The new plates have allowed astronomers to discover iron lines in the stars that are known as B and F stars.

The name of the new dye used to sensitize the plates is zenocyanine. It is much more sensitive and reveals more of the spectrum than dicyanine, which held first place among infra-red sensitizers for a decade, or neocyanine, which was discovered in 1926. The dye must be synthesized just before use and the plates must be kept in cold storage or packed in ice, as the heat from the sides of an ordinary container at room temperature is enough to make the plates foggy.

Débris found on an island off the coast of Alaska provides evidence of America's first "big town." Kodiak Island, off the coast of Alaska, just opposite the base of the Aleutian Peninsula, was the site of America's first metropolis, far back in prehistoric days when the forebears of the modern Indians were migrating across the narrow seas from Asia and pushing southward along the coast of North America. Dr. Ales Hrdlicka, curator of anthropology at the United States National Museum, has made excavations on the island that laid bare very extensive remains of human habitation, and yielded considerable numbers of skeletons of these early settlers together with specimens of their handiwork in stone, bone and ivory. The largest village mound found on the shore of the island had an area of forty acres—much larger than the base of the great Indian mound at Kahokia, Ill., hitherto regarded as the biggest Indian earthwork. Among the burials dug out by Dr. Hrdlicka and his assistants was one that indicated, by the broken and scattered condition of its bones, that cannibalism was practiced by these early inhabitants of the Far North.

Current History in Cartoons



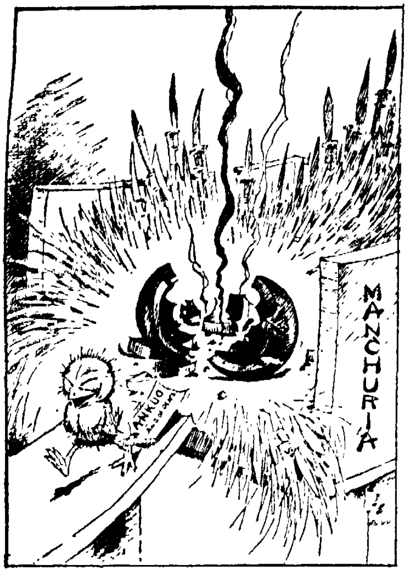
MUNITION MAKER'S PRAYER
"Give us this day a little war"
—*De Notenkraker*, Amsterdam



IT IS FRANCE WHO "DISHONORS" VERSAILLES
—*Kladderadatsch*, Berlin



"CAPACITY TO PAY"
—*New York American*



A "LAND OF PEACE" IS HATCHED

—*New York Herald Tribune*



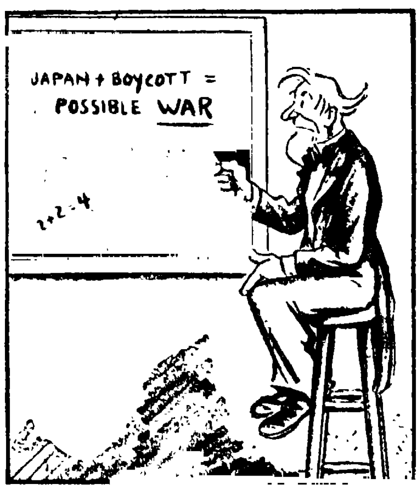
RUSSIA'S WATCHFUL WAITING

—*Brooklyn Eagle*



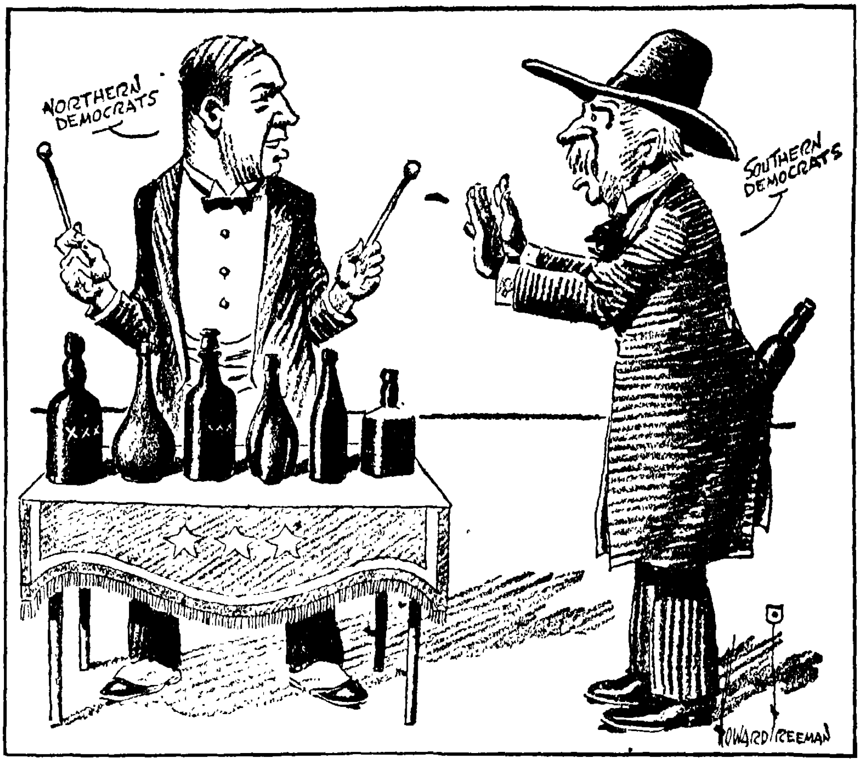
SALES RESISTANCE IN SHANGHAI

—*Detroit News*



A LESSON IN PACIFISM

—*Boston Transcript*



MUSIC HATH CHARMS—

Northern Democrat: "A nice wet theme song will get 'em"

Southern Democrat: "No, no! Croon a song of economics"

—*Newark Evening News*



THE CAKE LINE

—*St. Louis Post-Dispatch*



SAVING IT FOR A RAINY DAY

—*Cleveland Press*



A ROPE HARD TO CUT

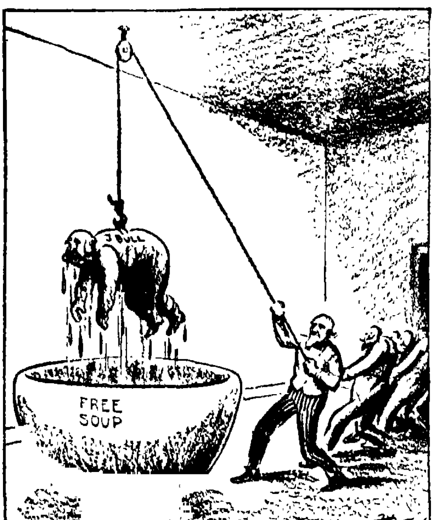
—Portland (Ore.) Journal



CAPITALISM'S ILLNESS

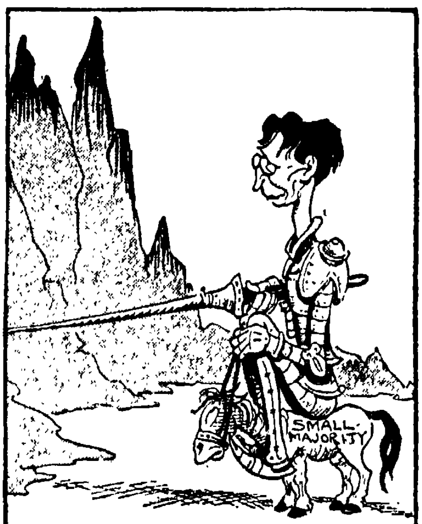
Father Time: "I find you have senile decay"

—Der Wahre Jakob, Berlin



INITIATING JOHN BULL INTO THE TARIFF CLUB

—St. Louis Post-Dispatch



DON QUIXOTE VALERA

—London Evening News

A Month's World History

The Politics of Disarmament

By James Thayer Gerould
Princeton University; Current History Associate

THE cards are now on the table. Representatives of the nations assembled at Geneva have had full opportunity to express the devotion of their peoples to peace and to declare the views of their governments as to the method by which, through disarmament, it may best be secured. That the proposals are diverse is neither surprising nor discouraging. In international negotiations, the initial statement must always represent a political maximum, and not at all the minimum that later the country may be quite ready to accept. Popular opinion at home is always very sensitive regarding concessions that may be considered to lessen national prestige or potential defensive strength. Its spokesmen must be cautious neither to commit themselves so definitely that later they may not in particulars recede, nor to show themselves so conciliatory as to be accused of weakness. In a democratic society, they must create the votes in support of their measures as they go along.

The French, for example, are far too clear-sighted to imagine for a moment that they can emerge from the conference leading an international police force of the type that they now demand. If they can strengthen somewhat the sanctions against the aggressor and be assured that they will be applied quickly and fearlessly, they will doubtless be satisfied. The Germans know very well that they cannot tear to pieces those sections of the Treaty of Versailles against which they complain, but they do propose to spare no effort to secure a more equal distribution of power. The leading delegates, in their public utterances, are not necessarily insincere, but their speeches are directed quite as much to the audience at home as to that before the rostrum. The substantial work of every conference such as this is done quietly in hotels and committee rooms, where there can be discussion and bargaining without public commitment. It is only for the registration of decisions already reached, or to obtain some political advantage, that there is oratory.

In March CURRENT HISTORY a summary was given of the introductory speeches of the leading French, British and American delegates and of Bruening's statement of the fundamentals of the German position. It was not until Feb. 18 that the specific

proposals, to which Bruening made reference, were presented by Rudolph Nadolny. In the opinion of the German Government the draft convention, evolved after six years of labor by the preparatory commission, is unsatisfactory both in its details and its omissions. The government advocates, not the internationalization of the air force, as do the French, but its total abolition. It is not content to permit the conference to evade the question of conscription, as did the preparatory commission; it insists that trained reserves should be "included in the general limitation." It believes that all war vessels of over 10,000 tons should be scrapped and with them all aircraft carriers and submarines. It would dismantle "all fortifications which control natural waterways between two open seas," such as those at Gibraltar and Singapore and those that guard the frontier. Chemical and bacteriological warfare should be forbidden and the manufacture and trade in arms should be effectively controlled. The creation of an international police force should not precede but be contingent upon general disarmament. The first problem of the conference, it holds, is the reconciliation of Article VIII of the Covenant with Part V of the Versailles Treaty. At a later session, Herr Nadolny expressed the opinion that the convention resulting from the conference would render inoperative those provisions of the treaty by which Germany was disarmed.

The presentation of the proposals of the smaller nations continued until Feb. 24. For the most part they echoed, in one form or another, the suggestions of the great powers. The most significant of the new ideas advanced was the Argentine plea for a definition of contraband of war and the elimination of foodstuffs from the categories included. This proposal obtained the enthusiastic approval of the American delegation, since it is in line with President Hoover's suggestion, made in November, 1929. Mr. Gibson, in a note appended to his seventh point, supplemented his proposal for the computation of armed forces on the basis of differentiating between those necessary for internal police service and those needed for defense. He suggested that the ratio of the number of effectives, permitted to the Central powers by the peace treaties, to their population and territory, might be taken as a yardstick to measure those that are required generally for the maintenance of order.

To deal with such a variety of suggestions—reckoned by some correspondents at 339—it is evident that there must be classification and systematic presentation. The majority believed that such a classification was ready at hand in the Draft Convention of the Preparatory Commission, and that, after consideration by the subcommittees, the proposals should be discussed as amplifications and emendations to be incorporated within the framework of the treaty. M. Tardieu won his point that all questions involving security should go to a Political Commission, identical in membership with the General Commission, which is composed of the heads of the national delegations, but he failed in his attempt to substitute M. Titulescu of Rumania for Arthur Henderson as chairman. As almost all the proposals are related in one way or another to the question of security, the effect will be to minimize the importance of the subcommittees, since all their decisions must be reviewed by the Political Commission before presentation to the plenary body. All this will take time. Under present conditions M. Tardieu finds it necessary to spend most of his time in Paris and can only be in Geneva for a few hours each week, and in his absence little can be done. The resulting situation is one of irksome delay.

The special meeting of the League Assembly, called to consider the Sino-Japanese troubles, which was in ses-

sion following March 3 (see A. N. Holcombe's article on pages 52-57 of this magazine), necessitated what amounted to a recess in the formal meetings of the conference, since so large a number of its members were, at the same time, the delegates of their countries as members of the Assembly.

FRANCO-GERMAN RELATIONS

A distinct improvement is noticeable in the relations between France and Germany. M. Tardieu, late in February, found time for long conversations with Dr. Leopold von Hoesch and Lord Tyrrell, the German and British Ambassadors in Paris. Presumably as a result of these conversations, it was announced on Feb. 29 that the Bank of France had agreed to the extension from one month to three, or until June 4, of the credit of $100,000,000, advanced by the Bank for International Settlements to Germany, provided that within that period there shall be a 10 per cent amortization of the loan. This announcement was reflected immediately by a spectacular rise in the prices of securities on the Paris Bourse.

France, as a matter of fact, is struggling to accomplish two things which are economically antagonistic. She wishes to restore the financial structure of Europe and at the same time to maintain the fabric of the Young Plan. Although economically she still enjoys far better conditions than any other country in Europe, unemployment is rapidly increasing and the budgetary deficit is steadily rising. She fears, and with cause, that she cannot escape the consequences of the universal financial demoralization, a major cause of which is the system of war debts and reparations. She realizes that the chances of securing substantial further payments from Germany are very slight. Without attempting to reconcile the widely different estimates of the sums already paid on account of reparations, there is no doubt that they do not equal the amount spent for reconstruction. If reparations are to be canceled, it must be on such terms that German industry, potentially more powerful than that of France, shall not reap a substantial advantage.

There remains France's war debt, particularly that owing to America. The French public is entirely unimpressed and unconvinced by the argument of the United States Treasury that all our claims against them, for loans made before the armistice, have been canceled. If the debt is to be paid, the French insist that it must be shifted to Germany. Since the maintenance of the status quo is obviously for the benefit of France, she is particularly insistent on the sanctity of treaties. As Walter Lippmann so clearly explained in his dispatch of Feb. 18, in this she is not entirely selfish. She believes that until there has been created, through a partial delegation of sovereignty, some form of superstate, there is no possible way for the rectification of national boundaries except by war, and in the meantime it is only by the enforcement of the treaties that we now have that peace can be maintained. The argument is certainly a powerful one.

The danger of the attempt to secure rectification by unilateral action has been sufficiently illustrated during the years since the war. Italy succeeded, it is true, at Fiume; but she failed at Corfu. Great Britain and Italy were not able to establish their proposed spheres of influence in Abyssinia against the will of that government and that of France. Poland was able by force to take Vilna, and she was confirmed in her possession by the League. It may be that Japan can maintain her position in Manchuria, and Lithuania in Memel. In all these situations there has been the material for a first-class war, and had it not been for the restraining influence of the League and the war-weariness of the world there might

very well have been a major conflagration.

DANUBIAN TARIFF BLOC

What promises to be a very interesting, and perhaps important, development in the affairs of the Danubian States was foreshadowed in the announcement by Premier Tardieu to the French Chamber of Deputies on March 1 that, with the support of Great Britain and of Italy, he had promised the aid of France in the formation of an East European tariff bloc to include Austria, Hungary, Czechoslovakia, Rumania and Yugoslavia. Germany countered this move by a note to Austria offering preferential treatment, if the most-favored-nation clauses in her treaties could be suspended. The French action is clearly another move in the sustained effort to consolidate French power in Southeastern Europe by the application of financial pressure. At present, Austria and Hungary are very nearly at her mercy.

Such a federation as proposed by France would be, in effect, the reconstruction, for customs purposes, of the Austro-Hungarian Empire. As such it would be very unwelcome to Germany, unless she could be included. It can hardly be pleasing either to Great Britain or to Italy; and it is not at all clear at present what are the limits of their assent. Dino Grandi, the Italian Foreign Minister, in a note sent to Paris on March 7, expressed a qualified approval of the scheme, and suggested that the same results could be obtained by bilateral agreements similar to those that Italy has just concluded with Austria and Hungary. The Prague papers are very doubtful if the federation would serve Czechoslovak interests; and those in Warsaw insist that, if there is to be such a confederation, Poland must be a part of it.

Nevertheless, the Financial Committee of the League, which devoted a large part of its recent meeting at Paris to the discussion of the subject, is reported to be well pleased with the reception that has been given to the plan. It may be that out of these negotiations may come that European union so strongly urged by Briand.

Congress Adopts Hoover Program

By E. FRANCIS BROWN
Associate Editor, Current History

THE Hoover Administration on March 4 reached its third anniversary. In Congress the occasion was marked by an outburst of oratory from members of both parties in which the leadership of the President was extolled and assailed. Few administrations in American history have passed through such trying years as has that of President Hoover. A rereading of the inaugural address which he delivered from the steps of the Capitol three years ago brings vividly to mind the stupendous changes which have occurred since that day. Some of the phrases in that address obviously describe a time that is past and that is, strange to say, being forgotten. Three years ago the President said: "We have reached a higher degree of comfort and security than ever existed before in the history of the world. * * * Business has by cooperation made great progress in the advancement of service, in stability, in regularity of employment and in the correction of its own abuses." In three years all these social desiderata

have been swept away, in large part by forces over which the administration had no control, although public opinion at the moment seems to hold the Republican party responsible for what has happened. Perhaps the anti-administration view was best expressed by a member of the House who declared, during the speeches which noted the Hoover anniversary: "Three years of Hoover's term have expired, and nearly everything else in the country as well."

Although the administration may have been slow in taking steps to combat the effects of the world-wide economic depression, its relief program has been pushed through the present Congress, and the President has obtained the cooperation of the Democrats on all important points. This is undoubtedly the result of general recognition of the seriousness of the nation's condition; yet it is a novelty to see a Republican President working successfully with a Democratic House. Since, besides the relief proposals, the Seventy-second Congress already has enacted several other long-desired measures, it may well be that history will confer upon this Congress the distinction of being one of the most industrious as well as most constructive.

On the heels of the establishment of the Reconstruction Finance Corporation—the administration's chief proposal for economic relief—came the introduction in Congress of what quickly became known as the Glass-Steagall bill. (See March CURRENT HISTORY, pages 833-834). This bill, which aimed to broaden the acceptability of commercial paper for rediscount by the Federal Reserve Banks and to make about $750,000,000 of the Federal Reserve System's gold supply, now used to support the currency, available for other purposes, was introduced in both houses of Congress on Feb. 11. With precedent and partisanship laid aside, the bill, after little debate, passed Congress on Feb. 26 and was signed by President Hoover the next day.

As the country had been led to believe that the Reconstruction Finance Corporation would provide adequate credit for the relief of banking, industry, agriculture, and so on, the question immediately arose in some minds as to what bank or banks were in so precarious a condition that even the Reconstruction Finance Corporation could not be of help. No official statement in this regard was made, although banking officials were known to have disclosed the real situation to those responsible for forcing the bill through Congress. Senator Glass on Feb. 17 maintained that the bill would protect the nation's gold reserves against prolonged foreign gold raids, but he was silent on the domestic difficulties that forced the adoption of the proposals for amending the Federal Reserve act. The seriousness of the situation was apparent not only in the speed with which the bill was passed but also in the fact that the administration was able to secure Democrats, especially one as outstanding as Senator Glass, to sponsor the bill.

The bill, as enacted, provides that any Federal Reserve member bank which has exhausted its eligible collateral may join with four or more other member banks in obtaining loans from the Federal Reserve System on joint promissory notes. Two member banks may combine to secure loans if their total deposits equal 10 per cent of the aggregate member bank deposits within their particular Federal Reserve district. These provisions are to be permanent. The act permits member banks which are in needy circumstances but are without further eligible paper, if they are not capitalized above $5,000,000, to borrow from the Federal Reserve System, until March 3, 1933, on promissory notes without participating in a group. Only sixty-two of the 7,400 member banks of the Federal Reserve System are ineligible for this privilege. Government bonds, according

to the act, may, upon authorization of a majority of the Federal Reserve Board, be substituted by Federal Reserve Banks, until March 3, 1933, for the customary eligible paper now used as a base for Federal Reserve notes, thus providing for expansion of the currency and yet releasing the surplus gold over and above the 40 per cent required to support note issues, which has accumulated as a result of the decline in the volume of commercial paper eligible for rediscount.

President Hoover declared upon signing the bill: "This measure I am signing today, together with the additional capital provided for the Federal Land Banks and the creation of the Reconstruction Finance Corporation, will so strengthen our whole credit structure and open our channels of credit as now to permit our banks more adequately to serve the needs of agriculture, industry and commerce."

Although the Glass-Steagall bill when first introduced was hailed as the beginning of currency inflation, this aspect of its provisions was glossed over during the debate in Congress. Senator Glass, who has long been regarded as conservative in matters financial, quieted fears of inflation by sponsoring the bill. From his point of view, the value of the act is chiefly psychological in assuring bankers that great reservoirs of credit are available if they should be needed. The act, in its final form, is so drawn that apparently immoderate inflation need not be expected.

THE CAMPAIGN AGAINST HOARDING

The campaign against hoarding, with accompanying restriction of credit, received new emphasis on March 6, when President Hoover, Secretary Mills, Senator Robinson of Arkansas and General Dawes appealed to the nation to put money back to work. The extensive hoarding of currency had been called to the attention of the country early in February, and at that time plans were devised fo[r] recalling money to circulation. O[n] Feb. 6 the total amount of money i[n] circulation reached the record figur[e] of $5,748,000,000; a week later thi[s] had declined $14,000,000, and by Feb 16 the President felt able to announc[e] that hoarding had ceased and tha[t] $34,000,000 had returned to circulation. Nevertheless, the administratio[n] pushed its campaign for the sale o[f] "baby bonds"—certificates in denominations of $50, $100 and $500, carrying 2 per cent interest and maturing in one year. It was hoped that the public would purchase these certificates in large enough amounts to draw many millions of dollars from hiding. Yet, as many observers pointed out, the largest amount of hoarding could probably be laid to the bankers who have felt obliged to have large cash reserves on hand to meet possible runs. Even treasury figures bore out this contention, since the greatest increase in circulation is in bills of large denomination. That the administration's campaign of patriotic exhortation and of "baby bond" sales would be effective was doubted by many financial writers and publicists —unless the American public could be convinced that banks were once again safe depositories.

BALANCING THE BUDGET

Having disposed of the major relief measures, Congress turned its attention to the balancing of the budget, a process which involves the annual appropriations bill as well as a new tax bill. The mounting treasury deficit, which, it is estimated, will reach nearly $3,000,000,000 by the end of the fiscal year, has caused a good deal of concern among investors and, taken with the growing national debt, has depressed the price of government securities—a fact which is not without influence on the whole financial market. Recent figures issued by the United States Chamber of Commerce relating to the increased cost of run-

ning the Federal Government are of interest at the present time, when efforts are being made to reduce these expenses and thus relieve the burden on the treasury. Between 1913 and 1931 the total expenditures of the Federal Government rose from $747,-500,000 to $4,219,900,000; in 1913 the per capita Federal tax was $7.17, but in 1928 this figure had increased to $33.12.

Whether Congress will be very successful in reducing the cost of government may well be doubted. When the annual supply bill was reported to the House by its Appropriations Committee on March 2 nearly $55,000,000 had been cut from the original budget estimates for the government's independent offices. On six appropriations bills which had come before the House at that time reductions from original estimates totaled more than $100,000,-000. But much can happen to these bills before they become law. The largest reductions so far have been in the appropriations for the Veterans' Administration, the Interstate Commerce Commission and the Farm Board. One of the few agencies to escape a budget cut has been the bureau in charge of enforcing the Eighteenth Amendment.

The proposal of Representative Byrns of Tennessee to merge the Army and Navy Departments into a department of national defense in the interest of both economy and efficiency has met a great deal of opposition from members of the Hoover Administration. Secretary Hurley and Secretary Adams have contended that it would require a man with "super" intelligence to conduct the affairs of the proposed department. Ernest L. Jahncke, Assistant Secretary of the Navy, in a radio address on March 5, declared that the Byrns bill would establish a department that would be unwieldy and more costly than the present arrangement. Nevertheless, the Democrats apparently have decided to persist in their plans for merging the two departments of defense.

President Hoover in a message to Congress on Feb. 17 asked that he be given authority to reduce governmental expenses by coordinating its many activities. This proposal to consolidate government bureaus met a mixed reception. The Democrats, who already had planned the creation of an "economy" group to study bureau consolidation, were hostile to the President's request—ostensibly because it would further increase Executive power. On Feb. 23 the House Democrats approved a resolution for the creation of a committee of seven to investigate the expenditures of government bureaus in the hope of eventually reducing government expenses by more than $100,000,000. This action seemed to meet with the President's approval, for the next day he issued a statement saying: "I am delighted that the Congress is earnestly taking up the reorganization of the Federal machinery." But as agitation for reforms of this nature began as long ago as the Taft Administration, the public has a right to be skeptical of any immediate results.

All attempts at economy through reducing the salaries of Federal servants have so far failed. Senator Borah's bill to reduce salaries and mileage of members of Congress was reported unfavorably by the Senate Civil Service Committee on Feb. 13. Similarly, an attempt was defeated in the House on March 5 to prevent salary increases, promotions, and so on, in the Postoffice and Treasury Departments.

The President on March 8 issued a statement in which he said: "Further economies must be brought about by authorization of Congress, either by reorganization of the Federal machinery or changes in the legal requirements as to expenditures of the various services." He pointed out that some of the so-called economies were not real, since they merely postponed until the next session of Congress appropriations which would be necessary for the conduct of governmental agencies.

His statement aroused the ire of Democratic Congressmen, who criticized the President and his record of expenditures in outspoken language.

For many weeks the House Ways and Means Committee has been at work upon a tax bill which, it was hoped, would raise sufficient revenue to balance the budget. The bill was finally completed on March 5 and was introduced two days later into the House, where plans had been made for its speedy passage. The major feature of the bill, which is expected to raise $1,096,000,000, was a 2.25 per cent general manufacturers' sales levy—a radical departure from the original tax program of the treasury. Only simple necessities of life and those designed for education or religion are to be exempt. The bill also provided for a general increase in income taxes, ranging from 2 per cent, with an exemption of $1,000 for single persons, to a 40 per cent surtax on incomes above $100,000.

Other main features of the bill are the imposition of a gift tax with a maximum rate of 30 per cent, an amusement tax on all admissions costing over 25 cents, an increase in fees for stock transfers, special excise taxes on telegraph, telephone, cable and radio messages, on lubricating oils, on malt syrups, grape concentrate, and so on, and a tax of 1 cent a gallon on imported gasoline, gas, oil, fuel and crude oil.

Although the new tax bill differs greatly from that recommended by Secretary Mellon last December, it has been accepted by the administration and came before Congress as a non-partisan measure. Secretary Mills in a statement on March 5 said: "The budget of the fiscal year 1933 can now be balanced in the sense that there will be no further increase in the public debt after June 30 next."

THE WORK OF CONGRESS

During the three months of the present session of Congress only a few of the hundreds of bills introduced have received favorable attention or even have come to a vote. Besides the administration's program for economic rehabilitation, the various measures relating to the budget and several for unemployment or farm relief, Congress has had before it a miscellany of legislative proposals. For example, the Senate has under consideration, after a favorable report from the Naval Affairs Committee, a bill authorizing construction of naval vessels up to the maximum provided by the London Naval Treaty. This bill is similar in many respects to the Vinson bill now before the House. (See February CURRENT HISTORY, page 710.)

One bill before Congress is of particular interest to labor—the Norris-La Guardia bill or bills, which would prevent the use of court injunctions in labor disputes and would outlaw the yellow-dog contract. The Norris bill passed the Senate on March 1 by a vote of 75 to 5, while the La Guardia bill, which practically reproduces that sponsored by Senator Norris, passed the House on March 8 by a vote of 363 to 13. The differences between the two bills were expected to be ironed out either in the Senate or in conference. Before both the Senate and the House are bills providing for Philippine independence—in fifteen or twenty years.

Besides the Glass bill before the Senate to reform the Federal Reserve System (see March CURRENT HISTORY, page 834), another bill before Congress of interest to the banking world is that introduced by Representative Steagall on March 7 providing for the creation of a fund of $517,000,000 to guarantee deposits in Federal Reserve member banks. The fund would be based on subscriptions from the Federal Treasury and from the Federal Reserve member banks. In response to a message from President Hoover urging an overhauling of the system of administration of justice, Senator Hasting of Delaware on Feb. 29 in-

troduced a bill for the reform of the bankruptcy laws.

The present Congress has instituted various investigations of subjects relating to the welfare of the nation. That which has aroused the most interest relates to the Stock Exchange, and particularly to the practice of short selling. The issue of short selling seems to have arisen from the continued depression of security prices on the Stock Exchange, which has been attributed in part to the bear raids made possible through the practice of selling short. Richard Whitney, president of the New York Stock Exchange, told a House Judiciary subcommittee on Feb. 24: "If there had been no short selling of securities, I am confident that the Stock Exchange would have been forced to close many months ago." Although short selling would seem to be a necessary part of stock speculation, Federal regulation of stock transactions was hinted by President Hoover and demanded in both halls of Congress. Meanwhile, a sweeping investigation was pending in the Senate.

THE "LAME-DUCK" AMENDMENT

For the first time since 1924, a new constitutional amendment is before the States for ratification as a result of approval by both House and Senate of Seantor Norris's resolution to abolish the "lame-duck" session of Congress. The text of the amendment is as follows:

Section 1.—The terms of the President and Vice President shall end at noon on the 20th day of January, and the terms of Senators and Representatives at noon on the 4th day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

Section 2.—The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 4th day of January, unless they shall by law appoint a different day.

Section 3.—If the President-elect dies, then the Vice President-elect shall become President. If a President is not chosen before the time fixed for the beginning of his term, or if the President-elect fails to qualify, then the Vice President-elect shall act as President until a President has qualified; and the Congress may by law provide for the case where neither a President-elect nor a Vice President-elect has qualified, declaring who shall then act as President, or the manner in which a qualified person shall be selected, and such person shall act accordingly until a President or Vice President has qualified.

Section 4.—The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice devolves upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice devolves upon them.

Section 5.—Sections 1 and 2 shall take effect on the 30th day of November of the year following the year in which this article is ratified.

Section 6.—This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of three-quarters of the States within seven years from the date of the submission hereof to the States by the Congress and the act of ratification shall be by Legislatures, the entire membership of at least one branch of which shall have been elected subsequently to such date of submission.

Virginia became the first State to ratify the amendment when its Legislature on March 4 adopted a joint resolution in favor of the proposed changes.

PROHIBITION AGAIN

The question of prohibition received renewed attention in the House of Representatives at the end of February when a petition to force a vote on the proposal to return liquor control to the States received the requisite number of signatures. As a result, when the final vote on the proposal is taken, the members of the House will have to place themselves on record as drys or wets. The House wets have introduced a bill to legalize 2.75 per cent beer on which a tax of 3 cents a pint would be imposed. Such a tax, it is maintained, would raise enough income to make the sales tax proposed in the general tax bill unnecessary. In Rhode Island, where the State en-

forcement act was repealed on Feb. 25, the Governor has signed a bill making 3.75 per cent beer legal. Meanwhile, *The Literary Digest* has been conducting a nation-wide poll on prohibition which by the middle of February seemed to indicate that 84 per cent of those voting favored the repeal of the Eighteenth Amendment.

SOCIAL ASPECTS OF THE DEPRESSION

The economic depression has lasted so long that many people have adapted themselves to new conditions. With decreased commodity prices individuals have been able to maintain themselves without too great change, even where income has been reduced considerably. But that, of course, is impossible for those who have lost all means of support and must rely upon some form of charity for existence. The actual condition of these unfortunates varies from city to city and from State to State. In a report issued by the Welfare Council of New York City at the end of February the lowered standard of living which has resulted from the continued hard times was discussed.

According to the report, families "accustomed to living at the margin dropped below. * * * Families who had never before been dependent were reduced to the level of the usual run of cases under care of the agencies. Foreign-born families who had by years of industry and effort raised themselves to a much better position were obliged to drop back to the level at which they started in America, or even lower." The investigation disclosed that "in general families were nearer actual destitution than usual when they were taken under care: they had more debts and fewer resources; relatives and friends were in much the same circumstances; and frequently they were suffering from a long period of trying to live on an inadequate income."

It is conditions similar to these which have inspired the many attempts in Congress to obtain some form of direct or indirect Federal relief. The Costigan-La Follette bill for direct relief was defeated in the Senate (see March CURRENT HISTORY, page 836), but other means toward the same end are being sought. On Feb. 27 the House passed a bill authorizing the expenditure of $132,500,000 for emergency highway construction in the hope of aiding employment. This bill is a Democratic measure which is opposed by the Hoover Administration as having "more the aspects of the pork barrel than of relief for unemployment." A bill to provide $150,000,000 of Federal funds for rediscounting mortgages on houses is now before Congress and has been favored as a means for stimulating building construction and thus an aid to unemployment. The principal step so far for direct Federal relief is an act passed by Congress at the beginning of March and signed by President Hoover which provides for the free distribution of 40,000,000 bushels of Farm Board wheat to the needy and hungry. The milling of the wheat and the distribution of the flour are in the hands of the American Red Cross.

Meanwhile, in spite of drives for jobs on the part of United Action, a group of fraternal and business organizations, the American Legion and other bodies, unemployment continued at about the same level as in January, when 8,300,000 were estimated to be out of work. Unemployment and distress might be expected to stimulate radical agitation and outbursts of violence, but such has not been the case. In only one instance have recent demonstrations by the unemployed ended tragically—at the Ford Motor Company's plant in Dearborn, Mich. On March 7 nearly 3,000 unemployed of Detroit paraded from that city to Dearborn to ask the Ford Company for work. At the Dearborn city line the marchers clashed with police and in the resulting mêlée four persons were killed and more than sixty injured. As in all such episodes there

is disagreement over who began the fighting.

Quite naturally the spectacle of so many people without work throughout the country has raised the issue of unemployment insurance. On Feb. 14 a commission of experts appointed by the Governors of six large industrial States made public at Albany, N. Y., their recommendations for a system of State unemployment insurance. Although the scheme proposed is not far-reaching, it may be the thin end of the wedge. The report urged the compulsory formation of unemployment reserve funds based on a contribution by each employer of 2 per cent of his payroll. The percentage would be reduced to 1 per cent when the reserve accumulated equals $50 for each employe. The funds would not be pooled, but would be maintained by each industry. The maximum benefit to be paid to an unemployed worker would be $10 a week, or 50 per cent of his wage, whichever is lower. The benefits, moreover, would be enjoyed for only ten weeks in any one year. As a result of the report bills were introduced in the New York Legislature for compulsory unemployment insurance along the lines recommended. These proposals resemble the Wisconsin unemployment insurance act which became law in January. (See March CURRENT HISTORY, page 837.)

THE LAG IN BUSINESS

In spite of the various measures enacted by Congress for the relief of the nation's economic life, business was discouragingly slow in showing any improvement. The principal ray of hope has been in the banking world, where the number of bank failures has materially declined. In January 334 banks were closed—twenty-four less than in December—while the February record was expected to be much better, since for two weeks following Feb. 12 no national bank failures were recorded. The number of business failures in February declined 21 per cent from the January mark, although the total—2,732—was a record for that month. The general business index for January was 62.8, a further decline from the low figure for December. Construction in all its ramifications was in January at the lowest point since December, 1914. Foreign trade has suffered steadily during these months and years of depression. Added to the serious effect on trade of world-wide hard times are the obstacles to trade offered by the new tariffs of foreign nations and by the conflict in the Far East. American exports declined to $149,901,309 for January—$33,676,320 less than in December and $99,696,654 under the total for January, 1931. Whatever may be the results of the Congressional legislation for economic rehabilitation, improvement in business generally is likely to be slow, although the administration's measures may prevent further decline.

POLITICAL MANOEUVRES

Pre-convention political manoeuvres during the past month took place mostly behind the scenes. Both in and out of Congress spokesmen for the two parties attacked and counter-attacked the claim for credit in passing the administration's program for economic rehabilitations, but these flights of political oratory did little to raise the standing of either party in the public's estimation. Occasionally one suspects that the country has come to realize that the Republican and Democratic parties represent essentially the same interests and that the real issue in elections is one of personalities rather than of principles.

The Republican party's chief problem at the moment seems to be one of organization. In spite of unrest within the party in the Middle West, President Hoover's nomination is certain, for no candidate in opposition to him has appeared. The selection of a chairman for the Republican National Committee has not been decided, al-

though reports indicate that William M. Butler of Massachusetts will be chosen.

Among the Democrats there is already a wealth of candidates for the nomination. The latest boom is that for Melvin A. Traylor, president of the First National Bank of Chicago. His supporters have sent out great quantities of literature extolling his abilities, his outstanding success in the world of finance and that traditional qualification of an American Presidential aspirant—birth in a log cabin. The candidacy of Speaker Garner received considerable support during February and was strengthened on Feb. 18 when William Gibbs McAdoo, former Secretary of the Treasury, came out for him. In addition to many favorite sons and dark horses like Newton D. Baker, Governor William H. Murray of Oklahoma has entered the race for the Democratic nomination as champion of "the great middle class and the little man."

The outstanding contenders for the nomination are, of course, Governor Franklin D. Roosevelt of New York and Alfred E. Smith, the Democratic candidate in 1928. The struggle between these two men was kept under cover, except as their supporters have clashed, until the Presidential preference primaries were held in New Hampshire on March 8. The vote cast was about 100 per cent greater than in 1928 and the result of the contest was a sweeping victory for Governor Roosevelt, who polled approximately 12,490 votes to Mr. Smith's 7,949. During the next couple of months the pledging of delegates will be in full swing and the relative strength of both Roosevelt and Smith will become apparent.

THE LINDBERGH KIDNAPPING

Economic distress, politics and war in the Far East were all forgotten at the beginning of March when the word flashed through the country that on the night of March 1 the 20-month-old son of Mr. and Mrs. Charles A. Lindbergh had been kidnapped from his crib at the Lindbergh home near Hopewell, N. J. The fact that the misfortune concerned America's most popular hero, the prominence of the child's parents—Mrs. Lindbergh is a daughter of the late Senator Dwight W. Morrow—and the mystery attached to the baby's disappearance made a profound impression and roused the whole nation's heartfelt sympathy for Mr. and Mrs. Lindbergh as well as its abhorrence of the unknown perpetrators of the deed. In spite of a nation-wide search and the enlisting of the aid of the underworld, the child had not been found at this writing and, as far as the public was aware, the police had few clues as to the identity of the kidnappers.

American Loans to Haiti

By CHARLES W. HACKETT

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SENSATIONAL charges of undue American control over Haiti were made to the United States Senate Finance Committee on Feb. 10 by Georges Leger, brother of the Haitian Foreign Minister. It was stated that since the military occupation in 1915 Haiti has been under American domination, that the American financial advisers provided by the treaty of 1915 have been absolute dictators in Haiti, and that "nine months

›r the treaty [of 1915] was signed Financial Adviser told the Haitian vernment that it must ask for American loan and that the treaty iich, under its original terms, was expire in 1926] must be extended ten additional years."

Ir. Leger said that the Haitian ernment at first refused to do this, finally, in 1917, consented to the ension of the treaty after the ted States proposed that $30,000,- be borrowed abroad; that Haiti without an elected government ween 1917, when the Chamber of uties was "padlocked" by United tes Marines, and 1930, when the bes Commission made an investi- ion of Haitian affairs for Presi- t Hoover; that the Financial Ad- r was unable to float a loan for ti until 1922, in which year the ıncil of State, the extra-legal rul- body of the country, whose mem- ship was "dictated by the military ımander" (General Russell, the erican High Commissioner), au- rized a $40,000,000 loan; that ,000,000 was then borrowed from National City Bank of New York he Haitian Government receiving ,000,000 net for its obligations, but mising to repay $16,000,000.

ımong the further charges made e that General Russell had prevent- the re-election of President d'Arti- .ve in 1922 because he was opposed the loan; that the National City ık had profited to the extent of)00,000 or $3,000,000 through pur- ses of depreciated Haitian railway ıds at the time when it was acting inancial agent for the government; t the Financial Adviser at present in Haiti without legal authority, ce the act of 1917, by which the aty of 1915 was extended from :6 to 1936, has never been ratified either the Haitian or the United tes Senate; and that the people of iti feel that the $16,000,000 loan ıs put upon them by the United tes for the purpose of maintaining itical control over Haiti," the Department of State, according to Mr. Leger, having interpreted the provisions of the loan to permit the continuance of the American financial administration in Haiti until the loan matures in 1953.

The Department of State on the same day, Feb. 10, issued a statement concerning Haiti's financial situation since 1915. This said, according to an official summary, that "Haiti's total debt at the time of the American occupation in 1915 was about $31,700,-000. This was mostly for foreign loans issued in France, some for as low as 72.3 less gratuities. There had been several years of default in some of the amortization payments, and interest was met by internal borrowing at rates of 59, 56 and 47; salaries, &c., were in arrears. Under the American financial administration all claims were adjudicated and all foreign and internal indebtedness liquidated for a total of $23,660,000. There is now no internal debt, and the foreign indebtedness was reduced by Dec. 31, 1931, to $14,329,161.76. A surplus has been accumulated in the Haitian Treasury, in addition, which amounted on Sept. 30, 1931, to $3,292,568.30."

Six days after this statement was issued, Secretary of State Stimson, in a letter to Chairman Smoot of the Senate Finance Committee, replied to the charge of Mr. Leger, saying that apparently General Russell had had nothing to do with preventing the re-election of President d'Artignave in 1922; that Leger, moreover, was in error in saying that Haiti had not been in default on any loans when the reorganization of finances took place in 1915; and that Leger's statement "that a continual state of martial law had existed in Haiti" since 1915 was not a fact.

CUBAN POLITICAL AFFAIRS

With his enemies completely vanquished, constitutional guarantees still suspended and Cuba in a state of war, despite the recent amnesty law and the freeing of the leaders of

the recent abortive rebellion, President Gerado Machado continued during February to consolidate his already virtually absolute powers. A national militia, to be composed of all members of the national police and of volunteers, and to be recruited in the six provinces of the island, was created by a Presidential decree of Feb. 2. Since the militia may be recruited to any desired number and will be under his direct orders, President Machado by this new move has added greatly to his strength. An administration bill which provides that all persons charged with bombing or terroristic activities shall be tried by military courts—even turning over to the military courts all pending civil cases—passed the Cuban Senate on Feb. 2 and the House of Representatives on Feb. 16. By this measure about 150 imprisoned students, who are regarded as the bitterest enemies of the government, are subject to immediate military trial.

Explosions of bombs throughout the islands, reported early in February to be "less frequent but more deadly," continued during the month as evidence of determined terrorist opposition to President Machado. Between Feb. 8 and 22 four bombings were reported from Havana and one from Santa Clara. Considerable damage was done to property, and twenty-seven persons were arrested as a result. Meanwhile, the "old guard" political oppositionists to the Machado Administration, including former President Mario G. Menocal and Colonel Carlos Mendieta—both of whom, as leading participants of the August rebellion, were released from prison in January—issued a manifesto in which the government was attacked and a demand was made for a "return to a full constitutional régime."

In connection with municipal primary elections held throughout Cuba on Feb. 28 for the purpose of electing delegates of the Liberal, Conservative and Popular parties to municipal assemblies, one person was killed and several were wounded. The newly chosen delegates, in addition to nominating candidates for local offices, will choose members of provincial assemblies; the latter, in turn, will elect delegates to the national conventions that are preliminary to the general election in November.

Having been retained by the Cuban Government to make a study of the country's fiscal system with a view to placing taxation on a more equitable basis, Professor E. R. A. Seligman of Columbia University on Feb. 9 presented to the Cuban Treasury Department a voluminous report of his investigations. The report covers in detail the taxation system now in vogue and contains a complete plan of reform based on recommendations which, the report estimates, will produce, if adopted, a revenue of about $122,000,000 in normal years without undue burden upon the taxpayer. Professor Seligman stated that "the fiscal difficulties which Cuba is experiencing are caused by three factors: First, the general economic world crisis; second, the special conditions of the sugar market; and, third, the actual fiscal system."

Severe earth shocks were experienced at Santiago, Cuba, on Feb. 2 and 3. The damage done was estimated by United States Ambassador Guggenheim at between $1,000,000 and $2,-000,000; thirteen persons were killed and many others were seriously injured. Frequent earth shocks of a minor character were felt at Santiago throughout the remainder of the month. A special session of the Cuban Congress to appropriate $1,000,000 for the relief of the district was called by President Machado on Feb. 3.

MEXICAN CHURCHES REOPENED

Following the acceptance early in February by the Catholic Church of the recently enacted law which limits both the number of officiating priests and the churches in which priests may officiate in the Federal District to one for every 50,000 inhabitants,

religious services, after having been suspended for two months, were resumed in the Mexican capital. Official announcement was made on Feb. 13 that twenty-five of the largest Catholic churches, located in the most densely populated districts of Mexico City, had been allotted to Catholic priests. These churches included the Cathedral of Mexico City and the Basilica of Guadalupe. In a pastoral letter issued on Feb. 17 the Papal Delegate, Archbishop Ruiz y Flores, appealed for peace in Mexico, advised Catholics that the agreement reached concerning the law had the sanction of the Vatican, and warned them not to resort to violent protests against it and not to criticize the arrangement under which the Catholic Church agreed to function under the law.

It was on Feb. 25, however, that the most recent conflict between Church and State in Mexico virtually ended when Bishop Maximo Ruiz y Flores, brother of the Papal Delegate, said mass at the cathedral in Mexico City. The same morning mass was said in eight other churches, and the remainder of the twenty-five allowed within the city by the new law were expected to resume services within a short time. The Archbishop of Mexico, Mgr. Pascual Díaz, not having been one of the priests designated to function in Mexico City, was obliged to officiate in a church in the neighboring State of Mexico, where no restrictive legislation has been passed.

Suspension "for the public good," until further notice, of the granting of government permits for the exploitation of petroleum throughout Mexico was announced in a Presidential decree on Feb. 13. The decree also instructs the Department of Industry, Commerce and Labor to begin at once to study all existing petroleum permits in order to make recommendations for a fixed basis on which future permits may be issued.

Signs which protested against the imposition of death sentences on eleven Communists in Guatemala and invoked the death of President Ubico of that country were painted on the walls of the Guatemalan Legation in Mexico City on the night of Feb. 11, and occasioned the placing of a heavy police guard about the building. That "this murderous attack by the Guatemalan Government was instigated by Yankee and British imperialism" was alleged by the executive committee of the Juvenile Communist Federation of Mexico.

Vigorous protests against the detention on Feb. 19 in Cananea, State of Sonora, of C. K. Mong, the Chinese Vice Consul, and also against the wholesale deportation of Chinese from the State of Sonora to the State of Sinaloa, were made to the Mexican Foreign Office on Feb. 20 by Samuel Sung Young, the Chinese Minister to Mexico. He stated that he had been advised that "Governor Rodolfo Calles has ordered the deportation of every Chinese in the State of Sonora." Similar charges and others giving details of alleged outrages committed against Chinese citizens in Sonora were made by Yao Hsiang-peng, Chinese Consul in Nogales, Sonora, on Feb. 25.

Alberto J. Pani, retiring Mexican Ambassador to Spain, reached the Mexican capital on Feb. 14 and assumed his duties as Minister of Finance. A statement issued by President Ortiz Rubio on Feb. 11 said that former Finance Minister Montes de Oca had been ordered during his stay in the United States to study on behalf of the Mexican Government the United States Federal Reserve System. This announcement was interpreted in some quarters as discrediting rumors to the effect that Señor Montes de Oca had left Mexico under a cloud because he had mixed too freely in politics and had sought the Presidency.

THE SALVADOREAN PRESIDENT

The National Congress of El Salvador on Feb. 5 "declared constitutionally legal the advance of Vice President Maximiliano Martínez to the

Presidency of the republic," which occurred early in December, following the overthrow and subsequent exile of President Arturo Araujo. The Congress also invested President Martínez "with authority to complete the four-year period established by the Constitution." The above action did not affect the attitude of the United States, which has refused to recognize the government of President Martínez because it came into power by revolution.

REBELS ACTIVE IN NICARAGUA

Insurgent activities in Nicaragua were on the increase early in February. Five engagements with rebel groups in four days, in which ten insurgents were killed and a number wounded and one National Guardsman wounded, were reported on Feb. 9 to the Navy Department in Washington by Brig. Gen. Randolph C. Berkeley, commanding the Second Brigade of United States marines. That Sandino, the rebel chief in Nicaragua, had built up his army to 2,600 men, with thirty-six machine guns and plenty of rifles and ammunition, and was prepared to launch an attack on Managua, was asserted on Feb. 25 by Dr. Pedro José Zepeda, Sandino's representative in Mexico City. Department of State officials in Washington, however, were reported not to have taken Dr. Zepeda's statements seriously.

REVOLUTION IN COSTA RICA

A revolutionary outbreak followed the elections in Costa Rica on Feb. 14 when none of the candidates for the Presidency received the necessary majority of the votes, and Manuel Castro Quesada, former Costa Rican Minister to Washington and apparently second choice of the country for the chief executiveship, attempted a *coup d'état.* Seizing command of the Bella Vista military barracks, opposite the United States Legation at San José, Castro Quesada on Feb. 15 defied the government and proposed to contest the apparent election of Ricardo Jiménez Oreamuno. Street fighting occurred in the capital on Feb. 16, resulting in the death of six persons. President Cleto González Víquez and Minister of War Arturo Quiros took refuge with loyal government forces in the military garrison on a hill south of the city. The rebels were reported to number between 500 and 600 and to be well equipped with ammunition; the government was said to be in control of the capital police, numbering 300, and the regular army of not more than 400. All banks in San José were closed and outside wire communication was suspended.

Considerable fighting took place on Feb. 17, with the rebels losing many killed, wounded and captured. It was also reported that the government had ordered the abandonment of the United States Legation and the evacuation of San José by all civilians by 11 A. M. on Feb. 18, the hour set for a bombardment of Bella Vista barracks, which were said to have been surrounded by loyal forces. A peace parley held on Feb. 18 in the United States Legation, upon the invitation of United States Minister Eberhardt and in the presence of the entire diplomatic corps, however, brought the rebellion to an end, and the rebels agreed to surrender on condition that Castro Quesada and his chief aide, General Volio, be allowed to leave the country.

In accordance with the Constitution, when no Presidential candidate receives a clear majority, another election must take place. The Costa Rican Congress on March 1 refused to consider the resignation of Castro Quesada as a candidate, despite his rebellious activities, and at this writing it appears that the voters in April will be called upon to choose between him and the leading figure in the February elections, Ricardo Jiménez Oreamuno.

Rebellious South America

By HENRY GRATTAN DOYLE

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THE fallacy of generalizations about the South American republics—obvious enough when one considers their vast geographical extent and their striking differences in climate, economic life and ethnological make-up—is brought sharply into relief from time to time by a month's political developments. Such a month is that just past. The welcome news of the end of the provisional régime in Argentina and that country's return to an elected administration on Feb. 20, after seventeen months of semi-military rule, was counterbalanced by the usual crop of rumors of Red activities in various South American countries and by definite indications of serious political unrest in Brazil, Chile and Peru, which culminated in an attempt to assassinate President Sánchez Cerro of Peru on March 6. Superficial commentators among our own people thereby gain new material for time-worn observations about Latin-American revolutionary tendencies, the political incapacity of the Latins and so forth.

Yet in spite of the apparent aptness of such political platitudinizing there is evidence enough of slow but steady progress toward democratic government in a number of the countries. The reports of revolutionary activity in Brazil, for instance, may and probably do indicate dissatisfaction with the present administration's failure to restore constitutional government quite as much as they exemplify the old struggle of the "outs" against the "ins." The fact that Brazil alone of the countries involved in the political overturns of 1930 and 1931 still has a revolutionary government, which has so far given no definite indication of any early effort to follow the example set by Bolivia, Peru, Chile and most recently by Argentina in calling elections and entrusting power to a régime born of the ballot box, has been commented upon here from time to time. Dissatisfaction with this situation may just as well be due to sincere devotion to republican principles as to inborn political "cussedness," and to that extent may represent political progress rather than political retrogression. Reports that strong supporters of President Vargas in the revolution of 1930 are among the disaffected lend color to this interpretation of the present unrest in Brazil.

The difficulties of the recently elected governments of Peru and Chile, on the other hand, seem rather to belong to the familiar category of conflicts between "outs" and "ins," complicated of course by the staggering economic burdens under which these governments, in common with those of other countries, are laboring. Nor should we lose sight of the inherent difficulties of parliamentary government in countries (like Peru and Chile) in which a system ideally fitted for two-party government has been established among peoples whose political psychology almost universally tends to foster a multiplicity of parties and party groups. At the risk of indulging in one of those generalizations against which we have consistently warned, we may say that the problems of parliamentary government in South American countries are usually due to this centrifugal ten-

dency, which impedes party cooperation and thereby presents a barrier to democratic progress. Minority Presidents and coalition governments rarely have an easy path to follow; they thrive best in times of recognized national crisis. Economic disaster has been hovering over some of these countries so long that it has lost much of its power to bring their leaders together in unselfish cooperative effort to solve their national problems.

ARGENTINA'S NEW PRESIDENT

With a promise to support constitutional reforms and to "encourage trade with countries offering Argentina reciprocal advantages," General Augustín P. Justo took the oath of office before the Argentine Congress on Feb. 20 and then proceeded to the Casa Rosada, the Presidential residence, where General José Francisco Uriburu, the retiring Provisional President, handed over to him the Presidential sash of blue and white, together with a document formulating the constitutional reforms proposed by General Uriburu some months ago. The new President promised to support reforms "necessary to prevent renewal of the conditions which shook the Constitution," and the brief ceremony was over.

Thus Argentina again assumed her place among the nations administered by elected Presidents. The inauguration took place on the anniversary of the battle of Salta, one of the battles of the War for Independence, which took place on Feb. 20, 1813. Among the last acts of the Provisional Government were decrees permitting the return of the political exiles and pardoning ex-President Hipólito Irigoyen. This example was followed by the new administration, which promptly restored freedom of speech and of the press and the other constitutional guarantees suspended under the Provisional Government, and lifted the "state of siege" (martial law) which had prevailed since September, 1930.

The new President was just under fifty-six when he took office. After a brilliant career as an engineer in the army he became Minister of War in the Cabinet of President Marcelo de Alvear, serving throughout the latter's administration (1922-28). As Minister of War he brought the army to a high state of efficiency and fostered aviation. In politics General Justo was an opponent of ex-President Irigoyen, belonging to the antipersonalist or anti-Irigoyen wing of the Radical party, of which Dr. Irigoyen was titular head. He was active in planning the revolution led by General Uriburu and was at first a member of the Provisional Government, but soon resigned, allegedly because of a disagreement over policy, General Justo supporting early elections and an immediate return to constitutional government, General Uriburu insisting on delay.

Serious problems, financial and political, face the new government. Salaries of many State employes are in arrears and an income tax, introduced by the Provisional Government for the first time, is likely to be difficult to collect, such taxes being generally unpopular in Latin-American countries. Even the increased taxes on tobacco, matches, alcoholic beverages and gasoline will probably not meet Argentina's financial requirements, and it is likely that tariffs will also be further raised.

On the political side, the restoration of free speech and the return of the political exiles have created a difficult situation. Former President Irigoyen, while accepting his freedom, refused the pardon extended to him and demanded that he be tried on the charges against him of having tolerated irregularities during his administration. A court decision, however, makes acceptance of the pardon mandatory. Disorders following the return of the former President and other deported Radical leaders led to clashes

with police on Feb. 28, in which two persons were killed and twenty wounded during a demonstration at the office of President Uriburu's newspaper. One of the returning deportees, General Baldrich, challenged General Uriburu to a duel, but dueling authorities held that sufficient grounds for such an encounter did not exist.

La Crítica, a newspaper suppressed ten months ago by the Provisional Government, resumed publication on Feb. 22 and immediately began attacking the "dictatorship" of the former Provisional President. Charges of brutal treatment of political prisoners under the Uriburu régime appeared in other newspapers, and Leopoldo Lugones, former chief of the political section of the Buenos Aires police, had to be protected by Brazilian police from attacks by members of the crew when the vessel on which he was traveling to Europe reached Santos, Brazil.

ATTEMPT TO KILL PERUVIAN PRESIDENT

On March 6 President Luis M. Sánchez Cerro of Peru was wounded by a would-be assassin who was himself wounded by the President's aide after two other persons had been shot in the fracas. The attack took place in a church at Miraflores, a Summer resort, where the President had gone to attend mass. It was reported that the criminal, who was captured, is an Aprista, that is, a member of the "Apra" *(Asociación Popular Revolucionaria Americana),* leading Opposition party, whose head, Raúl Haya de la Torre, was an unsuccessful candidate for the Presidency against President Sánchez Cerro last year. Following the attempted assassination, martial law was declared for thirty days, during which the Cabinet governed the country.

The attack on President Sánchez Cerro followed several months of difficulties with the Apristas, who have never entirely accepted the results of the elections of last October. After a number of clashes in Congress and on the streets the government announced on Feb. 16 that it had discovered evidence of a "Leftist" revolt. Thereupon it proceeded to arrest and deport thirteen Opposition leaders, including not only Aprista Deputies and journalists but Colonel Gustavo Jiménez, Minister of War under the Provisional Government of President Samánez Ocampo last year and also an unsuccessful candidate for the Presidency. More members of Congress were arrested a few days later, and the issue of Congressional immunity was then raised by Deputies not in sympathy with the Aprista Opposition. Other Deputies then absented themselves, and only 53 of the 133 members of Congress have remained. According to reports, however, these have voted confidence in the administration. Some of the exiles have reached Panama, others are in Colombia, while Haya de la Torre is reported to be in hiding.

Charges of affiliation with Moscow have been made against the Apristas by government agencies, and a letter alleged to have been written by Haya de la Torre in 1929 has been made public by the government. In it the writer urged that the party conceal its Communistic leanings for the time being. In an interview in New York last year Haya de la Torre denied any such affiliation.

It is unfortunate that President Sánchez Cerro's repressive measures have involved several of his former rivals for the Presidency. In addition to the action against Colonel Jiménez, another candidate in the elections of last year, José María de la Jara Ureta, Peruvian Minister to Brazil, was summarily removed on March 2 "because he sent directly to the President a telegram containing false information regarding the internal politics of the country," instead of using diplomatic channels. The President has also been in conflict with the students of the

University of San Marcos in Lima, which was closed on Feb. 20. This is usually a bad sign in South America and augurs ill for the continued peace of mind of the government. The government has, moreover, alienated the Decentralists, a progressive group, on the issue of parliamentary immunity.

UNREST IN BRAZIL AND CHILE

It will be recalled that the successful Brazilian revolution of 1930 owed its inception in large part to rivalry between the States of Rio Grande do Sul and Sao Paulo, represented respectively by the present Provisional President, Getulio Vargas, and the President whom he displaced, Washington Luis. In the revolt the *Allianca Liberal* had the support of a number of Northern States and of the State of Minas Geraes. The long delay in setting up a constitutional government now appears to have alienated not only the Northern and Central States but the President's own State as well. Unconfirmed reports from Uruguay on March 4 stated that revolts were in progress in Porto Alegre and Sao Paulo and that a number of leaders in the Vargas revolution had resigned their governmental posts, including two Cabinet officers, Lindolfo Collor, Minister of Labor, and Mauricio Cardoso, Minister of the Interior and of Justice. The latter had assisted in drawing up the new electoral law, promulgated by the President on Feb. 24, which provides for compulsory voting for eligible males over eighteen years of age and for voluntary voting by women. The secret ballot is another provision of the new law. Comment was made at the time of issuance of the decree upon the failure of the government to announce when the new elections would be held. It is reported that the original revolutionary group has divided on this issue, as well as on the question of punishment of army officers and soldiers for recent attacks on the offices of newspapers which had criticized the army.

The Chilean Government on Feb. 23 announced that a plot to restore former President Ibáñez, now living in Argentina, had been discovered. A number of arrests were made, the prisoners including a former military aviator, who had planned, it was said, to transport Ibáñez by plane to Chile. On March 8 Dr. Carlos G. Dávila, Chilean Ambassador to the United States under the Ibáñez régime, was arrested on charges of participation in Communist and Labor plots for the overthrow of the government. The charges were brought, according to reports, by a detective who hid in a closet in a room where Labor leaders were meeting and heard Dr. Dávila's name mentioned. The former Ambassador was released, however, on March 11. Dr. Dávila has been a severe critic of the government in his weekly publication, *Hoy* ("Today"), but his reported association with Communist activities would seem ridiculous to those who knew him while in his country's service here.

"Red" activities have been reported from Ecuador, Bolivia, Paraguay and Uruguay. The Chief of Police of Asunción, Paraguay, declared on March 6 that Brazilian and Chilean radicals had been deported from his city, which the Communists had planned to make the headquarters of South American activities. An attempted general strike in Montevideo, Uruguay, early in February was a failure. Communists in Uruguay were reported as writing "Down with Terra's Fascist Government!" on banknotes coming into their possession, and the Bank of the Republic announced that notes so defaced would not be accepted. Nepomuceno Saravía, accused of leading a Communist revolt in Northern Uruguay several weeks ago, was acquitted on March 1 on the ground of insufficient evidence.

Britain Asserts Her Solvency

By J. BARTLET BREBNER
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THAT the British people had consumed $500,000,000 of their capital during 1931 was the simple statement to which Walter Runciman, president of the Board of Trade, in the course of a speech in the House of Commons on Feb. 9, reduced the disquieting statistics of the nation's economic position. Although almost half the world, he added, still linked its currencies to sterling, foreign balances were being steadily withdrawn from London, and every fall in the gold value of sterling increased the difficulty of purchasing raw materials abroad. A week later *The Board of Trade Journal* published the full national balance sheet for 1931 in corroboration of Mr. Runciman's statement. In addition, Great Britain had in August, 1931, borrowed $650,000,000 in a vain effort to support sterling exchange.

Within a month from Mr. Runciman's unnecessarily gloomy picture the situation was relieved by a series of dramatic achievements. On Feb. 1 the first $250,000,000 of the August borrowings was finally liquidated. On Feb. 18 the bank rate was reduced from 6 to 5 per cent, the first cut by as much as 1 per cent at a time since August, 1914. On March 2 Neville Chamberlain, Chancellor of the Exchequer, made a number of startling announcements. The restrictions on dealing in foreign exchange were abolished because the government was satisfied with the stability of sterling. Out of the $200,000,000 borrowed in New York, $150,000,000 was to be paid at once, six months before maturity. Of the similar amount borrowed in Paris, all but $35,000,000 had been repaid. All this had been accomplished without strain on the budget. The Bank still had over $600,000,000 in gold. In other words, the United Kingdom had, in about five months, paid off $565,000,000 out of $650,000,000 of indebtedness with the loss of only about $50,000,000 in its gold reserve.

Two other accomplishments increased the prevailing optimism. In January, 1932, as compared with 1931, imports fell by £13,000,000 and exports by £7,000,000, to reduce the adverse trade balance for the month from £32,000,000 to £26,000,000. In the second place, the revised civil and military estimates promised a reduction of $64,000,000 in expenditures. In view of the remarkable tax collections it was anticipated that the year would end in March with a balanced budget, perhaps even with a surplus.

The response to this news was immediate. Stocks rose on the Exchange and new flotations began to be oversubscribed. Withdrawals by France, which continued until the early days of March, were offset by foreign purchases of British funds, and the rise in sterling was accelerated. The British financial authorities held the movement in check by selling sterling, but on March 7 they either gave up or speculative forces swept them aside, and the pound rose by 17⅜ cents to $3.70¼. Its lowest point since Sept. 21 was $3.24¾ on Dec. 7 and as late as Jan. 6 it stood at $3.35¼.

Meanwhile, probably because of the continued decline in the gold prices of commodities and the reduced purchasing power of the British public, prices had actually declined from the

level of the first week of January. The Board of Trade index of wholesale prices for January was the same as for December, a full point lower than in January, 1931, and only six points above September, 1931. Crump's index showed a very slight increase between the weeks of Feb. 14 and Feb. 21, but at 65.6 it was still below the rate at the end of 1931. Neville Chamberlain warned the country that it might expect a rise in prices after the imposition of the tariff on March 1, but Sir Josiah Stamp came nearer to the heart of the matter when he pointed out that whenever gold prices ceased to decline Great Britain must for the second time since the war make the fateful choice between a higher pound and higher prices. Actually, even the great pre-tariff rush of imports had failed to depress sterling and thus raise internal prices.

There were three interesting features of the assertion of national solvency. The most spectacular was the "rush" to sell gold and to pay taxes. The public imagination was caught by the spectacle of queues being formed for these demonstrations of patriotic confidence. A duke sold his coronet and commoners parted with hoarded sovereigns. Apparently about $17,000,000 was realized by these means. The tax officials could not keep up with the taxpayers and receipts ran far above 1931. Yet it was generally agreed that the least conspicuous movement had had the greatest effects. This was the continued movement of hoarded Indian gold to London, where its sale (after liquidating sterling indebtedness) to France and the Continent played the major part in reducing the debt to France and in raising the price of sterling. No authoritative statistics of the movement were available, but in mid-February it was estimated that $185,000,000 worth of gold had arrived from India since September.

In spite of these performances, Great Britain, of course, was by no means clear of her economic troubles. Basically the country was realizing upon some of its foreign holdings to pay its debts. The process meant a further decrease in income from overseas investments and greater difficulty, therefore, in correcting a trade balance which was still adverse. This emphasized the eternal dilemma concerning tariffs, that is, whether the immediate effect of reducing imports was more desirable than the long-run interest in increasing exports by doing everything possible to free international trade through breaking down tariff barriers. The Conservatives held to the first view and insisted that they would, moreover, use the British tariff to bargain for reductions elsewhere.

Viscount Snowden made his maiden speech in the House of Lords on Feb. 29 in vain opposition to the tariff which became law the next day. The government to which he belonged had sponsored the measure in the face of his and other Cabinet Ministers' dissent. He and Sir Herbert Samuel had been placed in an almost intolerable position, and it was freely predicted that they and perhaps the other Free-Traders would have to resign. Snowden himself said that he and his friends had actually resigned, had been persuaded to stay, but would finally resign if tariff revenues were used to reduce income taxes.

The tariff itself emerged from the debates in almost unaltered form. Indeed, it was amended, not in response to criticism from the Opposition, but from the stubborn "back-benchers" of the vast Conservative majority. The free list, which, before any dominion or Indian preferences had been arranged, covered between 35 and 40 per cent of imports, was drawn up in the light of home resources, needs for food and other raw materials and free importations from the resources of the colonies. Pending the Ottawa conference, the tariff was not to apply to the dominions or India before Nov. 15.

The free list included wheat and maize in grain, meat, fish of British taking, live quadrupeds, raw cotton, cottonseed, linseed, raw wool, tea, hides and skins, flax and hemp, newsprint and wood pulp, raw rubber and iron ore. Coal, steel for shipbuilding and some other items were freed to avoid countervailing tariffs abroad and, after debates over sixteen requests for deletion from and eighty requests for additions to the free list, a few minor items were added. It had been proposed that the government might add to the free list during the first six months, whereas deletions might be only by act of Parliament, but legal obstacles caused this to be dropped.

The revival, after a century, of the corn laws did not proceed with the same rapidity, although the government was committed to the policy. The bill was subjected to criticism from both free-trade and protectionist extremes, but its central form embraced the old device of a fixed price for wheat, 45 shillings a quarter ($1 a bushel with the pound at $3.52), with a maximum of 50,000,000 bushels of domestic production to be included. The British grower would receive from the Wheat Commission certificates entitling him to the difference between the legal price and the average world price. A Flour Commission would act as intermediary between millers and consumers in the distribution of flour. Uncertainty as to dominion quotas and commercial bargains with Argentina and the United States contributed to the tentativeness of this legislation.

The cabled summary of the unemployment figures for January, published here last month, was incorrect in that the number 2,131,298 included only the wholly unemployed. The total figure as of Jan. 25 was 2,728,411, being 135,761 more than a year before. The new form of report was more informative than the old in its statistics of the classes receiving relief and of the duration of unemployment. Of the total reported, 56 per cent were entitled to insurance, the insurance of 33 per cent had expired and they were receiving "transitional" relief, and 11 per cent were uninsured; 72 per cent had been unemployed for less than six months, 56 per cent for less than three months and only 14 per cent for twelve months or more.

No extraordinary changes in industry took place. Steel production, for instance, had increased, but pig iron production had decreased. The cotton trade was feeling the adverse effects of war in the Far East. As an incident of the guerrilla struggle between mill owners and operatives over the "more-looms-to-a-weaver" issue, 4,040 weavers were on strike in Burnley, but on March 8 it was reported from Manchester that a general agreement on that question was about to be concluded. Such a settlement would have profound effects on the textile industry. There were three outstanding clashes between police and unemployed, two in Bristol on Feb. 9 and 24 involving between 2,000 and 3,000 each time and one in London when 2,000 men marched from Hyde Park to the Houses of Parliament.

The Conservative party retained three constituencies in by-elections during February. In each case the total vote was greatly decreased, but the Conservative majority even more so.

DE VALERA PRESIDENT OF THE IRISH FREE STATE

As a result of the fifth appeal to the electorate of the Irish Free State since the treaty of 1921, Eamonn de Valera on March 9 became President of the Executive Council in succession to William T. Cosgrave. [For an account of recent developments see Stephen Gwynn's article, "The Shift in Irish Leadership," on pages 8-14 of this magazine.]

The general election held on Feb.

18 was more inconclusive than had been expected even in the light of a system of proportional representation which favors minorities. De Valera's party, Fianna Fail, together with their Labor allies, received slightly more than 50 per cent of the first preference votes. The distribution in the Dail Eireann before the election was:

Government, 85 seats, made up of 65 Cumann Na nGaedheal (Cosgrave), 12 Independents, 6 Farmers party and 2 Independents Labor;

Opposition, 67 seats, made up of 56 Fianna Fail, 10 Labor and 1 Independent Republican.

After the election one Cosgrave supporter died, necessitating a by-election, but disregarding this seat, the new alignment is:

Government, 79 seats, made up of 72 Fianna Fail and 7 Labor;

Opposition, 73 seats, made up of 56 Cumann Na nGaedheal and 17 Independents.

Since the small Labor group now definitely possessed the balance of power, they planned to exploit it. Mr. Cosgrave's group still controlled the Senate, which, whenever it pleased to do so, could delay measures passed by the Dail for eighteen months.

Except in Leitrim and Sligo, where the assassination of one Cosgrave supporter and an attempt on the life of another necessitated a fortnight's postponement of polling, the election was remarkably quiet. Mr. Cosgrave was disappointed in his hopes of a large poll and the South of Ireland Unionists persisted in their eleven-year refusal to vote at all generally for any Irish party. Mr. de Valera and his lieutenants stage-managed a lively campaign which won Irish youth by many of the devices made familiar by Mussolini and Hitler. They were full of confidence and on the offensive; Mr. Cosgrave had the less exciting task of appealing to his record.

The election was really fought for and against de Valera's platform. He proposed to abolish the modified oath of allegiance to the King, to repudiate (but collect for the Irish Treasury) the £3,000,000 of annual payments to Great Britain for the advances made under the old land purchase schemes, to repeal the recent public safety act and free all political prisoners, and to raise an unscalable Irish tariff.

As the results of the election became clear, Fianna Fail fell out with Labor, whose dictation, emanating from seven men, was distinctly galling. Nevertheless, it was obvious that de Valera was growing cautious, but was being harassed by his own extremists. The approach of the Eucharistic Congress was said to be an influence in favor of his beginning with his least controversial legislation. The Labor party, moreover, insisted that repudiation of the oath could wait and that the annuity payments to Great Britain should not be canceled, and that while it would be glad to see the public safety act repealed, its real interest was in better social conditions. All these things were less important than the fact that Great Britain takes 90 per cent of Ireland's exports and has in her new tariff the weapon she used with such disastrous effect in the eighteenth century. Any Free State Government must bargain with Great Britain, whether at the Ottawa Conference in July or in London before then.

The Dail Eireann met on March 9 and by 81 to 68 votes elected Mr. de Valera President of the Executive Council. The Governor General having signified the royal assent to his election, Mr. de Valera announced the new Cabinet.

The appointment of an Attorney General was postponed for a few days; the position was to go to a member of Fianna Fail, from whose ranks the whole Cabinet was chosen. Apart from Mr. de Valera, who now becomes the spokesman of the Free State in the British Empire and at the League of Nations, Sean Lemass, the Minister

for Industry and Commerce, was regarded as the leading member of the Cabinet. He has been Mr. de Valera's chief lieutenant and his party's ablest organizer.

A test of the new government's strength came almost immediately when the Dail proceeded to the election of the Speaker. The de Valera forces were determined to have one of their own members preside over the House, while Mr. Cosgrave and the Independents vigorously opposed the change on the ground that the Dail would lose much of its uniformity of procedure if there were a new Speaker with every change of government. When the vote was taken Frank Fay, Fianna Fail member, was elected in place of Michael Hayes, who had been Speaker for ten years, by a majority of only two—79 to 77 votes.

CANADA PAYS HER WAY

Ever since the end of 1931, when heavy Canadian commitments in New York coincided with governmental restriction of gold exports to depress the Canadian dollar by 20 per cent, there had been an almost uninterrupted daily fractional recovery until on March 7 it stood at 90 cents in New York. The Dominion Government has assumed the double task of keeping the gold reserve at a good margin above its legal minimum and of rationing gold exports. During February about $8,000,000 in gold went to New York. It was announced that the Dominion had accepted notes from the four Western Provinces amounting to over $11,000,000 and had paid a corresponding amount for them in New York. In addition, both British Columbia and Alberta, following the recent Canadian fashion, succeeded in floating internal loans of $5,000,000 each at 6½ per cent to meet immediate obligations.

Another factor in this exchange rehabilitation has not been estimated but has played a considerable part. Canadian holders of gold or United States dollar bonds have shown their confidence by selling these bonds in large quantities in New York. Since Christmas their confidence has been justified at the rate of 5 per cent a month. The maintenance of a favorable balance of trade has also helped. The Bureau of Statistics announced that for the ten months ending Jan. 31 Canada's favorable balance had been over $24,000,000. The balance with the United States was still adverse by $3,700,000 in January, but it had been so by $11,400,000 in January, 1931. The total burden of internal debt, however, was a source of anxiety to the government, and it resolved to initiate proposals for currency stabilization at the Ottawa Conference.

Industry and employment improved during January and February, but wage cuts were common. All Federal salaries were to be reduced by 10 per cent after April 1, and on Feb. 15 the Federal estimates were cut by $46,-000,000, about 11 per cent.

The Judicial Committee of the Privy Council allotted control of radio broadcasting and reception (and inferentially of aviation) to the Dominion on Feb. 9, by rejecting appeals by the Provinces of Quebec and Ontario. This decision revived interest in the recommendations of the Aird Commission of 1929 for a governmental system consisting of seven large and some subsidiary stations, to be supported by a $3 receiving license, the renting of hours for indirect advertising and a Federal subsidy. Canada as a whole has been offended by the programs which it receives from the United States. There was also the likelihood that if the national system were set up, a new agreement would be negotiated with the United States for the allocation of channels for broadcasting. This question was allowed to lapse during the Supreme Court and Privy Council appeals.

AUSTRALIAN DEBT DISPUTE

The struggle which has been going on between the Australian Federal Government and Premier Lang of

New South Wales entered another stage with the Federal payment of the New South Wales default of Feb. 1. Mr. Lyons, the Federal Prime Minister, on behalf of his government, the Federal Loan Council and the Commonwealth Bank, aimed at the maintenance of national credit by the utmost financial orthodoxy, while Mr. Lang, who crystallized his point of view in his question, "Babies or Bondholders?" has won electoral support by disregard of ordinary economic procedure. The New South Wales Government relieves unemployment generously, pays high wages for short hours and maintains various kinds of special subsidies and bounties. Naturally it cannot pay its external debts, but Mr. Lang does not pretend to, so long as he can find the money for domestic expenditures. During 1931 the Federal Government paid out £4,500,000 (the Australian pound has been at 25 per cent discount in terms of the British for over a year) to meet his defaults, but at the beginning of February his State faced immediate obligations of about £17,000,000 and the repayment of a £13,000,000 loan in November. Its population is about 40 per cent of that of the whole Commonwealth and it is entitled to about £250,000 a month from the Federal Government to help in meeting interest on its debts.

The new Federal Parliament met at Canberra on Feb. 17 and at once set about the definition of financial relations between the Commonwealth and the States. A bill was introduced making the Federal Government responsible for a State's bonded indebtedness when the high court declares a default, but in return empowering it, following a resolution from both Federal houses, to seize State revenues, divert State taxation to the Federal Treasury and imprison State taxpayers who persist in paying the State. It was anticipated, also, that in the present instance Mr. Lang would soon be unable to meet government salaries and would thereby lose electoral support. The proposal of radical New South Wales Labor for immediate revolution was rejected by the State Labor party, by 81 to 11 votes, on Feb. 16, and revolution by constitutional means accepted in its place. On Feb. 6, however, Mr. Lang's candidate won a by-election over Mr. Lyons's candidate in East Sydney.

It was announced that Stanley Bruce and Harry Gullet, both Cabinet Ministers, would represent Australia at the Ottawa Conference, and that Mr. Bruce would afterward go to London as "Minister representing the Commonwealth," chiefly to deal with financial problems. Inasmuch as Mr. Latham was representing Australia at Geneva, Mr. Lyons did not feel free to leave Australia to go to the Ottawa Conference.

DISINTEGRATION IN INDIA

The little news that has recently come from India has been discouraging from almost any point of view. Everything points to a progressive disintegration of the Indian unity and British cooperation so painfully attained in the last few years. The rift between Hindus and Moslems deepened to the point of Moslem refusal to cooperate with the Hindus on the consultative committee now at work in India on the minorities problem. That task was handed back to the British Prime Minister. The next step of the Moslems was taken on March 6, when the working committee of the All-India Moslem Conference threatened to boycott the renewed Round-Table Conference unless the full demands made in the interests of the Moslems were met.

Hard words have passed between Moslems and Hindus, and clashes between the Moslems of Kashmir and the police of their Hindu ruler have continued. Trouble between the Moslem Red Shirts of the Northwest frontier and the British Administration broke out again early in March

and was complicated by systematic agitation among the hostile Afghan tribesmen. Perhaps the most disquieting news was that the princes of the native States, whose support had made the Federal proposals possible, were trying to discover a way of backing out. It seemed likely that Great Britain must again dictate a new Constitution for India and take all the blame if it did not work.

The stern measures of repression since the end of December have involved 15,000 arrests and 12,000 convictions. The punishments were usually short prison terms. This drive succeeded in decreasing disorder and civil disobedience, but picketing continued. During the year ending with August, 1931, British exports to India declined by one-third as compared with the year before.

The Passing of Briand

By OTHON G. GUERLAC

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ARISTIDE BRIAND died on March 7, three weeks before his seventieth birthday. Entering Parliament at the age of 40, in 1902, after having been defeated several times, he became a Cabinet Minister in 1906. That was the first of more than twenty portfolios which he was to hold. In 1909, after the fall of Clemenceau, under whom he had served, he was invited to form the first of the eleven Cabinets over which he presided.

His career was full and brilliant, although perhaps not as regular as that of several of his contemporaries, for instance, Poincaré, who preceded him by fifteen years in public life and remained all the time in the same party. Briand's early years were far from conventional. Born at Nantes on March 28, 1862, of modest parents of peasant stock who kept a café, he was educated at the *lycée* of his native city, then studied law and was admitted to the bar. Having had a somewhat bohemian youth, his associations and natural leanings led him into the Socialist party, which in the late '80's was becoming very active in France, claiming the allegiance of many ardent and ambitious young men. Briand wrote for Socialist papers and attended Socialist conventions, and it was at the Labor convention of 1894 at Nantes, in a controversy with Jules Guesde, the Marxist leader, that he won his first laurels. Soon he was looked upon as one of the hopes of the party. His enemies later took pleasure in reproducing some of the speeches he delivered during this early phase of his career—and, indeed, many of his statements of that time come pretty near falling under the head of "incitations to rebellion" or attempts to overthrow the government "by force and violence."

But even then, in those meetings where bitter dogmatism often prevails, he appears to have gained a reputation for good-humored compromise and conciliation. His skill as a speaker and his splendid voice soon won him praise even from outsiders, and very early *Le Temps* and other "bourgeois" papers spoke of him in flattering terms. Unable for a while to continue his career as a lawyer, Briand went to Paris and became editor of such "advanced" papers as *La Lanterne* and *La Petite République*. He was then a member in good standing of the Unified Socialist party. Social-

ists prosecuted for their participation in strikes or for their advocacy of "dangerous" doctrines used to call on him to defend them. Thus, when Gustave Hervé, then a young professor in the provinces, was haled for antipatriotic sentiments before the criminal court, it was Briand who defended him—not only as a lawyer but as a fellow Socialist, who shared the views of his client and wanted the jury to know it. It was about this time that Briand, having to plead in a murder case arising out of a strike, claimed for himself the name of labor leader, or *meneur,* which has in French a rather derogatory connotation.

When, in 1902, he finally found in the industrial city of St.-Etienne a constituency willing to send him to the Chamber of Deputies he became a legislator. The bill for the separation of church and State, long a plank in the Radical and Socialist platforms, came before the Chamber in 1904, and Briand was the man chosen to champion the measure. In the sittings of the committee as well as in the debates before the House, M. Briand surprised every one by his spirit of fairness and his ability to see both sides of every question. Nor di^ he display merely a moderation unexpected in a propagandist of the class struggle. He showed also a versatility in dialectics, a persuasive charm, and, at times, a fervid eloquence that held his colleagues as under a spell. Clemenceau, writing then in his paper, *L'Aurore,* of a contoversy in which he and Briand had been on opposite sides, said of the man whom he was not always to treat so charitably: "Never did a lawyer do better with a bad case. Every weakness became an element of strength, thanks to his subtle art, his oratory, his gestures. If I am ever to come before a jury, I want M. Briand to defend me."

This brilliant début was sufficient to mark Briand for a Ministerial portfolio, and in March, 1906, he entered the Sarrien Cabinet. But as a member of a "bourgeois" Cabinet he could no longer qualify as a Socialist, and his party expelled him as it had already expelled Millerand and was later to expel Viviani. Many of these men who had sincerely espoused the Socialist faith at their start in life could not, once successful, resist the blandishments of "power." In the first years the Socialists felt toward Briand a bitter resentment, which was especially violent when, in 1910, in his first Premiership, he crushed a strike of railway employes in the most approved manner of Conservative governments, mobilizing all those who were subject to military service and arresting the leaders. That was the time when excerpts from his early speeches were freely quoted by his foes.

Gradually, however, especially in later years, when Briand became the target of the attacks of the Nationalist and reactionary elements, the bitterness of his former associates was replaced by a warm regard for the man who, while no longer one of them, had remained faithful to his democratic ideals and to the spirit of internationalism that he owed to his early training. Thus, during all his later Ministries, before and after the war, he managed to maintain the friendly neutrality of the Socialists while keeping the confidence of the republican majority.

No more than other statesmen, however, could Briand, as head of the government between 1915 and 1917, escape the onslaughts of Clemenceau in handling the extraordinary problems presented by the World War or in allaying the discontent aroused everywhere by that long-drawn-out struggle. It was only in the years that followed 1919, years full of the wranglings and the bitterness that had marked the drafting of the peace treaty, that Briand ceased to be an ordinary French Minister and rose to the stature of a European statesman. While the National bloc and its leaders—Millerand, Poincaré and Tardieu—were still under the influence

of the war psychosis, Briand stood out as the one man who understood that peace could not thrive in a war atmosphere and that the world could not continue to live on past grievances, rancor and hatred.

To carry on his plan of moral reconstruction and reconciliation he had to be very cautious, and when President Millerand and a part of the press accused him of yielding to Lloyd George at the Cannes conference in 1922, he resigned immediately. Resuming power in 1925, however, he prepared, in collaboration with the German Foreign Minister, Stresemann, the famous Locarno pact, which guarantees the Franco-German frontier and which established a firm foundation on which security could rest. Then Briand was hailed everywhere as one of the most sincere workers for peace in Europe. It was as Minister of Foreign Affairs in Poincaré's government that he went to Geneva in September, 1926, and welcomed Germany into the League of Nations. On that occasion he delivered one of the most stirring of his many great orations, saying earnestly: "Away with rifles, machine guns, cannon! Clear the way for conciliation, arbitration, peace! Countries do not go down in history as great solely through the heroism of their sons on the battlefield or the victories that they gain there. It is a far greater tribute to their greatness if, faced with difficulties, they can stand firm, be patient and appeal to right to safeguard their interests." That year he shared with Stresemann the Nobel peace prize.

His scheme for the economic federation of Europe, which met with indifferent reception, gave him the opportunity last May to preside at Geneva over the third session of the commission entrusted with the study of European economic problems. He had just been defeated by M. Doumer for the Presidency of the Republic. The delegates at Geneva gave him an unusually rousing ovation, and he was greeted in the name of his colleagues not merely as a French political leader but as "a great international statesman." His last appearance at the League, of which he had been for ten years the principal figure, was when, as chairman of the Council, he cited Japan before the bar of world opinion for her actions in Manchuria.

As often happens, the growing international prestige of Briand was accompanied by increased hostility at home. His policies were periodically arraigned in the Chamber of Deputies by Marin and Franklin-Bouillon. In the press, the Nationalist papers, from the dignified *Journal des Débats* to the scurrilous *Action Française,* heaped on his head either bitter criticism or vile abuse. He was held responsible for the temporary failure of Germany to respond to offers of reconciliation. Every manifestation of the Steel Helmets, every success of the Nazis, was a signal for a new attack on Briand. At times the passions were so hot that his life seemed at the mercy of some demented fanatic.

But Briand remained calm, patient and often humorous before his opponents, knowing that in the end his policy will prevail. Even his death did not silence all his detractors—"Death is not an excuse" is a saying that French partisans like to repeat. But France as represented by its government—Doumer, who defeated him for the Presidency; Tardieu, often one of his most bitter critics; Laval, his pupil, who, not from ingratitude, dropped his master only recently from the Cabinet—all paid him due homage. He was given a State funeral, and thousands of veterans and humble folk testified by their grief that they were conscious of the debt they owed to the man who, against great odds and in spite of all obstacles, had fought to the end to promote peace and good will among nations.

THE LAVAL CABINET FALLS

As luck would have it, it was the fate of Tardieu as Premier, and not of Laval, to pay the last honors to the

dead statesman. The Laval Cabinet was upset on Feb. 16 and replaced, after a crisis of four days, by a new Tardieu Cabinet, which received a vote of confidence on Feb. 23. Thus, in the midst of the Geneva disarmament conference and at the beginning of the annual budget discussion, a whole week was devoted to the reshuffling of the Ministry and a bitter partisan fight between the Right and the Left. It was the Senate that was responsible for the downfall of the eighty-eighth Cabinet of the Third Republic. Why did the Senate overthrow the government at such a moment? The cause is to be found both in the present complexion of the upper house and in the policies of the last Cabinet. The French Senate, which was, when founded by the Constitution of 1875, a conservative and even reactionary assembly, has gradually shifted toward the Left. Whereas in the early days it was considered an obstacle to all progressive policies, it has now become an assembly with a Radical-Socialist majority and even includes a Socialist group of eighteen members. It is thus, in many ways, more "advanced" than the Chamber of Deputies.

The Senate's main grievance against M. Laval was the fact that he seemed to identify himself more and more with the parties of the Right. He was accused especially of having shown himself friendly to a bill sponsored in the House by M. Mandel, Deputy of Gironde, a curious personality known as the former secretary and confidant of Clemenceau. This bill, which had caused a great furor among the Radicals of the House, aimed at the modification of the electoral law by abolishing the second ballot, known as the *scrutin de ballottage*. According to the present practice, on the first election day those only are elected who receive an absolute majority—namely, half of the votes plus one. On the second election day, two weeks later, a simple plurality is sufficient for election. Thus all parties have an equal chance to appeal to the electorate. On the second ballot, however, voters concentrate on the candidate who comes nearest to their liking in order to defeat the one they consider the common foe. Thus Radicals and Socialists run separate candidates on the first ballot, only to merge their votes on the second ballot to block the way to the reactionary. The majority of the Chamber thought that by introducing the method of the single ballot they would stand a better chance of defeating the Left cartel. The debate was long and bitter, the Radicals and Socialists using against the bill all the obstructive methods allowed by the rules of the House. Before the vote was finally taken, on Feb. 12, and after the impassioned protest of M. Herriot, who showed the danger of dividing the country into two blocs, all the Radical-Socialists and the Socialists left the hall. The bill was passed by 288 votes to 1, out of a membership of 612. Only the Right, the Centre and the Communists voted.

The attitude of the government, which traditionally had always been neutral in debates on the mode of election of the House, was denounced as being friendly to this attempt to serve the electoral interests of the Right. Another grievance was that M. Laval permitted his new Minister of the Interior to carry to a convention of members of M. Marin's party, the Republican Federation, a message of friendship and of gratitude for their support. All this and a good deal else had created the atmosphere of intense hostility which brought about the storm in the Senate, where the opposition to the new electoral bill was known to be very general. Senator Peyronnet asked to interpellate; M. Laval asked for a postponement. It was that request for postponement in order not to weaken the work of the French delegation at Geneva that 157 incensed Senators out of 291 refused to grant. Thus the Laval Cabinet had to resign, bringing M. Tardieu back from Geneva in a hurry.

This act of the Senate was not very popular. Even some Radicals doubted its wisdom at the present juncture. The young nationalistic elements, always ready to stage street demonstrations, surrounded the Luxembourg Palace, hooting the Senators and fighting with the police. President Doumer set feverishly to work consulting, as usual, all the party leaders. He first called on M. Painlevé, the famous mathematician, who has been Premier three times and who seemed especially acceptable because, though a man of the Left, on the problems of security he was acceptable to the Right. However much he was willing to grant to the majority in his attempt at a concentration Cabinet, they were not satisfied, and the Marin group finally vetoed the Painlevé combination. The clash seems to have occurred over the Ministry of the Interior, a key position in an electoral year. Then, as had happened before in the case of the downfall of Chautemps, Tardieu was offered the Premiership and in one afternoon he had formed his Cabinet, which differed very little in personnel from that which had just been overthrown.

M. Tardieu, always bold, startled the public by several innovations. In his previous Ministry he had formed a rather topheavy aggregation of about thirty-three members. This time his Cabinet consists of only nineteen members—thirteen Ministers and six under-secretaries—almost all members of the Laval Ministry and including M. Laval himself, who went back to the Ministry of Labor. M. Tardieu took the portfolio of Foreign Affairs, giving to M. Piétri, former Minister of the Budget, a new department, the Ministry of National Defense, formed by merging the three Ministries of War, Navy and Aviation. To his friend Raynaud, who had been Colonial Minister, he gave the position of Minister of Justice and "Controller of the Administration," a new office intended to centralize the interests of all departments and to synchronize their action. Another bold stroke was to place in the Ministry of the Interior Albert Mahieu, a not widely known Senator, but an experienced administrator who is expected to preserve a neutral attitude during the coming elections.

This original and, to all appearances, economical and sensible combination did not appease the grievances of the Opposition. Nine interpellations were filed after the announcement of the new Cabinet. The Ministerial program was short and limited its ambitions to the passing of the budget, the continuation of the foreign policy of the preceding Cabinet based on "respect for contracts" and the support of the disarmament plan presented at Geneva. It contained also a friendly reference to the "entente" with Great Britain, described as "the best guarantee of peace founded on justice." The Opposition found much to criticize in the merging of the Air Department with the War and Navy Departments. The Radical Deputy Bergery complained that the disarmament project spoke of limitation of armaments, but did not begin any actual reduction. Others, including Edouard Herriot and Franklin-Bouillon, reproached the new Premier with having made impossible a Ministry of conciliation by torpedoing the combination attempted by M. Painlevé. The Chamber, after listening to speeches until early morning and witnessing some scenes of rowdyism, passed a vote of confidence by 309 to 262. After this test the Chamber resumed discussion of the budget, and M. Tardieu was able to return to Geneva, where the government is represented by the same delegation as before, with the addition, however, of the new Minister of National Defense, Piétri.

With the ill-fated electoral bill which brought about Laval's downfall were voted two additional measures of great importance—one on

woman suffrage and the other on compulsory voting. Both were mere Platonic manifestations, since every one knew that the Senate would not ratify the vote of the Chamber. The bill giving women equal political rights with men was sponsored by M. de Monzie and passed by 319 to 1. The bill for compulsory suffrage was passed by a show of hands, without debate. Both these measures were approved in the turmoil of a twenty-two-hour sitting, on Feb. 12. But, as was anticipated, the Senate was hostile. The project for suppressing the second ballot was voted down and returned to the House. As for the rider on woman suffrage, the subject was deemed too important to be discussed as an addition to another bill. The only portion of the Chamber's electoral bill found acceptable by the Senate was that which contained the revised list of districts of France, from which 613 Deputies will be elected in the coming election.

BELGIAN AFFAIRS

During February Belgium was also threatened by a Ministerial crisis, as certain members of the Liberal party did not approve of the government policy adopted to meet the current economic situation. The only definite change, however, came with the resignation of Baron Houtart, whose portfolio of Minister of Finance was taken by Premier Remkin. The Chamber, faced by a deficit of 1,200,000,000 francs (over $33,000,000), voted an increase of 10 per cent on all taxes and an equal reduction in all salaries and pensions of State officials. Disabled soldiers' pensions are to remain unchanged.

The Chamber passed on March 2 the new language bill, which divides Belgium into three sections for administrative purposes. In the first, Wallonia, only French will be used officially. Flemish will be the official language in Flanders, while the Brussels district will remain bilingual. Hitherto all Belgium has been officially bilingual. Amendments to make German the third national language were rejected, but the new bill, which now goes to the Senate, does not apply to Eupen and Malmédy, German-speaking annexed districts.

Fight for the German Presidency

By Sidney B. Fay

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NO national election in the past few years has commanded greater interest than was manifested the world over in the voting for the President of Germany, which took place on March 13. The figures available at this writing show that the 37,660,377 votes cast were distributed among the five candidates as follows: Von Hindenburg, 18,661,736; Hitler, 11,328,571; Thaelmann, 4,971,079; Duesterberg, 2,517,676, and Winter, 111,000. Although President von Hindenburg failed by a narrow margin to gain the requisite majority, his lead over his nearest rival, Adolf Hitler, was such as to render almost certain his return to office after the second election scheduled to take place on April 10, when a majority over all the other candidates combined will not be necessary.

The vain efforts of Chancellor Bruening to avert an electoral contest, in view of Germany's financial and political difficulties—to secure a

prolongation of von Hindenburg's sane and moderating influence without inflicting on the nation the turmoil of a contested Presidential election—were described in these pages last month. When it became evident that the Chancellor's attempts to preserve the status quo were fruitless, however, the nation divided itself into a number of groups, and that of the existing government won out.

Von Hindenburg's consent to run for re-election was embarrassing to the National Socialists and the Nationalists, who, by a curious paradox, had voted pretty solidly in favor of the Field Marshal in 1925, while his main supporters in the recent election, the Social Democrats and the Roman Catholic Centre, in 1925 voted against him and for ex-Chancellor Marx. In the election of 1925 a great many persons believed that von Hindenburg, the victor of Tannenberg and the former intimate friend of the Kaiser, would act as a militarist and a monarchist. But after taking his oath of office to the republic von Hindenburg scrupulously lived up to it, and loyally supported the coalition majority, made up largely of Social Democrats and the Catholic Centre. That is why the attitude of parties toward him became the reverse of what it was seven years ago. Many Hitlerites and Nationalists still have a high regard for him personally. They realized that in opposing him they would run the risk of opposing a highly popular national hero. They would have been willing to prolong his term without election, but only on condition that he would get rid of Bruening, withdraw his support from the moderate coalition majority and hand over to them a share of the power. But von Hindenburg was unwilling to desert Bruening and the moderates, whom he has stood by during so many critical months.

Thus it was that on Feb. 22 Adolf Hitler announced that he would run as a Presidential candidate. He enjoyed the solid backing of the National Socialist party, which has been growing with amazing rapidity during the past year and a half, as indicated both by the party membership and by its gains in every local election. He and his followers at once began a very active and vociferous campaign, with many mass meetings every evening. Their placards were posted everywhere and house-to-house canvassing supplemented the propaganda in their newspapers and mass meetings. His party was better provided with campaign funds than any of the others, and had the further advantage of making a strong appeal to the youth of Germany. These young people found themselves hemmed in by the restrictions of the Versailles Treaty, the heavy taxes, unemployment and the general depression which was depriving them of a fair start in life. Hitler's abundant promises that if he came into power he would sweep away the Bruening "system," which he charged was responsible for the present hard conditions, caught the ear of the young men and women of Germany.

Hitler in the past has often attacked the Weimar Republican Constitution and hinted that he would set up some kind of a dictatorship or Fascist government. But in order to become eligible as a candidate for the Presidency he had to acquire German citizenship, which he had never had, having been born in Austria. He therefore made the necessary move on Feb. 22 by accepting appointment as attaché of the legation of the State of Brunswick at Berlin. In doing so he swore allegiance to the Republican Constitution of Germany as well as that of Brunswick. He has long been shifting from his original extremist doctrines to a more moderate attitude, and it may well be that this oath of allegiance really marked the abandonment of his earlier anti-republican position. He has also emphatically declared that while he would put an end to the payment of

the "tribute" of reparations, he would scrupulously respect Germany's obligation to pay in full the interest and principal of all Germany's private debts.

Theodor Duesterberg was a third candidate in the Presidential race. He was put forward by Hugenberg's Nationalists and by the Steel Helmets, an organization of monarchically inclined ex-service men. Though they have often cooperated with the Hitlerites in opposing Bruening and the Social Democrats, they refused to vote for Hitler as President. Many of the Steel Helmet members still revere von Hindenburg as their beloved leader in the war, and some no doubt voted for him instead of their own nominal candidate, especially in the conservative regions of Bavaria and East Prussia. In any case, it was not surprising that Duesterberg obtained only 2,500,000 votes. Hugenberg's purpose in putting him into the running was to draw off votes from Hitler and von Hindenburg and so to cause a second balloting. The Constitution provides that if no candidate secures an absolute majority of all the votes cast there must be a second balloting in which a mere plurality is sufficient to elect. Hugenberg calculated that if he could bring about such a second balloting he would be in a stronger position to bargain for advantages for his party with one or the other of the candidates in return for the promise of the support of the Nationalist vote.

Another candidate of relatively slight importance was Adolf Gustav Winter, put forward by the People's Revalorization League. He was the one candidate who had a quite definite and concrete program—the revalorization at their full gold value of the currency notes of the pre-inflation period. But his candidacy suffered under the disadvantage that the candidate himself was serving in a penitentiary for alleged fraud in connection with this revalorization movement some years ago.

The fifth candidate, Ernst Thaelmann, put forward again, as in 1925, by the Communist party, polled the full strength of his party, which, in the Reichstag elections of 1930, amounted to about 4,500,000 votes. But owing to unemployment, hard times and discontent, which have increased since then, it was not surprising that the Communist vote rose in this latest election to nearly 5,000,000.

The main issue under consideration was whether Chancellor Bruening and the moderate coalition parties led by the Social Democrats and the Catholic Centre should be retained in power, or whether the control should pass to groups which have hitherto been hostile to the republic and who promised somewhat vaguely a betterment of Germany's position both at home and abroad. Bruening's policies of restoring Germany's finances by rigid economies and by government regulation of wages and prices and of relieving Germany of the present reparations and Versailles treaty burdens by peaceful negotiation have been frequently stated in these pages and are well known. He defended them actively in the campaign, and at the same time vigorously attacked the Hitlerites for dishonesty in trying to saddle Germany's ills upon himself instead of upon the conditions imposed on the country as a result of losing the war.

Bruening's speech in the Reichstag on Feb. 29 was broadcast throughout the country—not at the time he delivered it, but some six hours later. As the speech was delivered, the Chancellor had before him an almost invisible disk connected with a rather elaborate new machine in the Reichstag cellar. That same evening, in every German home containing a radio, the family heard the announcer say: "In a few seconds you will hear Dr. Bruening." And presently there came over the air, in the Chancellor's incisive tones, the full speech he had delivered six hours earlier to the crowded Legislature. It was reproduced per-

fectly, together with the mingled applause and derision from his supporters and opponents. Nobody listening would have dreamed it was other than a direct transmission of the Chancellor's voice, yet it was a reproduction, by a new German device, of a phonographic record.

The radio was employed once again on March 10, when von Hindenburg, who has never appeared on a political platform and whose voice had been broadcast only twice before, appealed to the German people to return him to office. Stating that the election of such extremists as Thaelmann or Hitler would bring the danger of serious disturbances in its train, the aged President declared he was not a candidate of any party, and had agreed to stand for re-election only because of a nation-wide non-partisan call.

GERMAN BUSINESS CONDITIONS

German economic conditions have not improved since the beginning of the year. Unemployment rose to 6,127,000 on Feb. 15, comprising 44.3 per cent of labor union members, as compared with 42.8 per cent on Jan. 1. Many of the large companies, which last year reported profits, are now faced with deficits. The electro-technical industry, which is fairly typical, is working at 45 per cent capacity and orders are still declining. Manufacturers, in order to maintain exports to Russia, have begged the government to extend $250,000,000 in credits to Russia, but the government has limited its participation to $33,000,000, and this is offset by credits to Russia which are about to fall due and which presumably will be paid into Germany. German foreign trade during January fell to the lowest point in thirty-one years, in part because of the protective tariffs, quota systems and other barriers to freedom of trade which have been erected throughout the world.

The financial situation is a little better. The exchange value of the mark has remained near par. Only slight withdrawals of gold from the Reichsbank have taken place, so that the ratio of reserve in gold and foreign credits to outstanding notes was 25.2 per cent on March 2. The Berlin Stock Exchange was reopened for trading on Feb. 25 after being closed since Sept. 28, 1931, but transactions are unofficial and the prohibition against publishing prices continues.

Stabilizing the Spanish Republic

By WILLIAM E. LINGELBACH

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THE Spanish Republic, under the Left-Wing Socialist Ministry of Manuel Azana, with its extensive powers conferred by the Cortes, has been strengthened steadily by supplementary legislation of a Republican and Socialist character. Acting under the law for the defense of the republic, published in the official *Gaceta de Madrid* last October, the government has suppressed the Syndicalist uprising, silenced the Catholic opposition and paid only incidental attention to former King Alfonso's recent manifesto or to the attacks of Alejandro Lerroux on behalf of the moderate conservatives.

Since national expenditures are usually the best index to the trend of governmental policies, the first budget of

the new republic, submitted on Feb. 20, is of exceptional significance. It is the largest budget in the history of the nation—an indication of the extension of government functions which usually accompany democratic and socialistic régimes. Equally suggestive is the distribution of the funds among the different Ministries. There are, for example, considerable increases for the Ministry of Education, the Ministry of Agriculture and Labor and the Department of the Interior.

Relatively, however, all these increases are small, and one wonders how real headway can be made in the warfare against illiteracy, which still prevails among 45 per cent of the population; or by what magic the extensive agrarian reforms projected by the Socialists can be effected with such modest appropriations. For the time being, moreover, education is seriously crippled by the withdrawal of the Jesuits. Their colleges and schools have been taken over by the different State authorities, but it has been found extremely difficult to secure adequately prepared teachers, or to finance some of the higher grade of work performed heretofore by members of the order. The appropriation for religion is greatly reduced, the 67,-773,495 pesetas allocated to the church in 1929 being cut by more than half (the peseta at par is worth 19.3 cents). A sharp cut is also made in the item for the protectorate in Morocco. The small reduction in the items on war and armaments was a disappointment to those who had incorporated the renunciation-of-war clause in the Constitution, but it is explained partly by the fact that surplus officers were retired on full pay. In both the army and the church, the republic continues to carry for a time the burdens of these institutions, which were overextended under the monarchy.

On Feb. 24 the Assembly, by a vote of 201 to 97, supported the Ministry against a strong attack by Alejandro Lerroux, the former Foreign Minister. In a vigorous speech, denouncing the proposed tax increase of 20 per cent on certain products, he reiterated the demand for elections, which he had voiced at a great political rally in Madrid's new bull ring three days before, urging the dissolution of the Cortes and the election of a new government, and warning the nation that the Socialists were moving faster than "the economic structure of the country could stand." Meanwhile, the Cortes has passed the divorce bill, which permits divorce through the civil courts by mutual consent six months after the filing of the petition.

While the government is proceeding relentlessly to republicanize, if not to socialize, the institutions of the nation, serious threats against its existence continued to be made by the Communists and by the Royalists. The Catalans have again shown signs of discontent over the failure of the government to grant the home rule promised to Catalonia. The convention of Burgos, attended by delegates from those cities of Spain outside Catalonia, adopted recently a strong manifesto against Catalan autonomy. It would mean, says the resolution, the dismemberment of the nation, the establishment of rival governments, conflict in jurisdiction and serious embarrassment to the economic life of the nation and to the national budget. Fortunately, nothing serious developed on this question during February. In the meantime, Colonel Macia claims Catalonia has *de facto* autonomy.

Despite the failure of the much-heralded general revolutionary strike by the Communists early in the month and the abortive affair on March 5 at Facta, in which several members of the Cortes were said to have been implicated, the Reds continued to foment uprisings. On Feb. 10 Major Ramon Franco, the celebrated Spanish flier and fourteen Communist Deputies created a scene in the Cortes over the transportation to Spanish Guinea of

109 Red leaders. In defending the government's action, Señor Casares Quiroga, the Minister of the Interior, declared that he was "only suppressing an un-Spanish movement" and deporting "men dangerous to Spain, vermin that should be exterminated." His policy was endorsed by the Cortes in a vote of 157 to 14. Simultaneously a struggle for control of the powerful National Workers' Confederation is in progress; Joaquin Maurin, the Communist leader, who has broken with Moscow, is seeking to capture the organization built up by the anarchists.

The threat to the republic from the Monarchists which came to a head in Alfonso's manifesto on Feb. 27 is more spectacular than real, though it may result in a request for the expulsion of Alfonso XIII and his family from France. The manifesto drawn up by the King in January, after denouncing the republic, which he declared has created a state of anarchy throughout the nation and is "no more acceptable to the people than the first," summoned "all Spaniards of good-will, without distinction of kind, class or condition, including even those republicans who in good faith will renounce their mistake * * * to reunite Spain under my holy banner."

Although it produced little or no stir, the fact that Alfonso's uncle, Alfonso Carlo, the Pretender, apparently joined in the movement, gives to the manifesto a certain significance. At the same time an appeal of this sort—issued by an ex-King about to start on a Mediterranean cruise—would indicate that the last of the Bourbons, like his predecessors, has learned nothing in exile. The government promptly ordered the arrest of any one found in possession of the document, and on Feb. 28 the shock police of the civil guard effectively used short-length rubber hose to disperse a group of several hundred young Monarchists shouting *"Viva el Rey."* Later dispatches report serious dissatisfaction among the Monarchists themselves over what they call Alfonso's untimely and "flippant" manifesto; that courageous supporter of the monarchy, Count Romanones, characterized it as "silly and absurd."

MUSSOLINI AND THE POPE

The third anniversary of the settlement of the Roman Question was celebrated on Feb. 11 by the first meeting of the two outstanding Italians of this generation. On that day Mussolini paid a formal visit to Pius XI and subsequently proclaimed the date a national holiday to commemorate the accord reached in 1929.

The Vatican's official reception of the Duce and his small suite was brilliantly staged and in dramatic contrast with the simplicity of the actual interview in the Pope's personal library. When the interview was ended the members of Mussolini's party were also presented to the Pope.

Strangely enough, the two men, despite their having lived in Milan at the same time, one as Cardinal Ratti, the other as editor of a Socialist newspaper, had never met before. On Feb. 6, 1922, the Cardinal was elected Pope, and in October of the same year Mussolini became Prime Minister of Italy, after the famous march of Fascist Black Shirts on Rome. But though the two men did not meet until now, they have been in frequent communication through their representatives and at times in very difficult circumstances. Even after the success of the negotiations which led to the settlement of the Roman Question in 1929, serious friction arose over the activities of the Catholic Action.

The cordial relations with the United States revealed in the recent visit of Foreign Minister Grandi to this country were further emphasized in the widespread recognition throughout Italy of the bicentenary of the birth of Washington.

ECONOMIC CRISIS IN ITALY

While the celebrations testifying to the strong cultural relations between the United States and Italy are

going on during the Spring and Summer of 1932, the hard problems of our economic relations continue to confront the two governments. Trade between Italy and the United States, like that between other countries, has fallen off greatly during the present depression. Italy occupies thirteenth place among the countries exporting to the United States and sixth position as an importer of our goods. Although there has been shrinkage in the total trade of Italy during the last year, foreign trade during January continued to show the favorable trend of a decline in imports and an increase in exports.

On March 4 Italy and France signed an operating trade agreement pending the completion of the new commercial treaty which will replace that of 1922, renounced by France in December, 1931. An Austro-Italian trade convention was signed on the same day.

In the meantime, production has not improved relatively, and unemployment is increasing gradually. The number of unemployed in February exceeded by about 60,000 the January total of 1,051,000. Seasonal unemployment, of course, is partly responsible for the increase, and it is expected that with the resumption of agricultural work considerable reductions will occur. Unfortunately, only a small portion—less than one-quarter—of those out of work are entitled to insurance benefits, and the task of the Fascist party organizations, which are looking after the unemployment relief, is very heavy.

PORTUGAL'S DIPLOMATIC POSITION

The importance of Portugal in the international situation, not only because of her vast colonial possessions, but also because of her strategic geographic location on the Atlantic at the entrance of the Mediterranean, appeared again in February. Disappointed at the Paris Peace Conference in her desire for colonies, Italy has been courting Portugal, and Great Britain is finding a rival suitor where for centuries she has been alone. The visit of the Italian air fleet last month, followed closely by a call from the British Navy, and the prompt offer on the part of an English shipbuilding company to take over the construction of a number of Portuguese cruisers, which an Italian firm is refusing to build because of the fall of the Portuguese exchange in sympathy with the English pound, are all indications of a new situation. Portugal's many possessions are widely scattered and very valuable. Even the small territory of Macao, near Canton, might prove of inestimable value to any European power as a base in case the Sino-Japanese confict should spread.

In the face of this larger question the abortive strikes scheduled for Feb. 29, and even the rumor that President Carmona plans to resign, sink into insignificance. Of interest was the news that an Australian schooner had picked up a group of nine political prisoners, including a former Colonial Minister, a police commissioner—a nephew of President Carmona—a naval Captain, a journalist and an aviator, who were escaping from Timor. They were turned over to the Dutch at Kaupang and, since extradition amenities do not apply to political prisoners, they are probably free.

Economically, the situation in Portugal is bad, but being mainly agricultural, the Portuguese do not suffer to the same extent that highly industrialized peoples do. There is overproduction in many respects, especially of wine, which is now so cheap that it is being served free in many hotels. On Feb. 27 a number of decrees were issued raising the tariff on tobacco, kerosene and other commodities from 5 to 20 per cent. At the same time the government announced a six-year plan for extensive public works, involving the expenditure of over 20,000,000 escudos (at par the escudo is worth 4.42 cents) for schools, hospitals, roads and harbors.

Hungary and Her Creditors

By FREDERIC A. OGG
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TWO recent news items relating to the United States showed that the tenseness of the Hungarian financial situation has been somewhat lessened. The first, on Feb. 9, announced the renewal of negotiations for an extension of time on $40,000,000 of American short-term credits, previously broken off because of American dissatisfaction with the terms that Hungary was willing to offer. The second, dated Feb. 19, was an announcement by Finance Minister Telesky that American banks had declared their readiness to honor checks drawn on them by Hungarian banks. The country's finances, however, are still weak, and in a speech on March 1, before the adjournment of Parliament for a month, Premier Karolyi warned Hungary's creditors that they might lose everything unless they were prepared to accept a considerable reduction in interest rates on their loans.

Meanwhile, sixteen New York investment houses protested to the State Department at Washington and to the League of Nations against alleged discrimination toward American holdings by the Budapest Government. The point to the protest was that when the suspension of service on bonds and debentures was decreed by Hungary last December, the so-called League of Nations loan of 1924 and certain other obligations were excepted, but not the $65,000,000 owed in this country. In their appeal, the bankers denounced the Hungarian scheme of applying available foreign currency only to certain long-term loans, none of which is held in the United States, and called upon the League of Nations to recognize that preference to the 1924 loan implies a reciprocal responsibility on the part of the Leagu to resume supervision of the financia affairs of Hungary in the interest o all creditors.

A volley fired by gendarmes into a excited crowd of inhabitants in th little farming village of Pacsa, wh had gathered on Feb. 18 to demonstrate against the auctioning of cattl seized for tax arrears, resulted in th death of three persons and precipitate a tumultuous scene in Parliamen on the following day. The Socialis Opposition, with which several mino parties are now making commo cause, bitterly denounced the government's handling of the affair, and declared that if existing methods of collecting taxes from the impoverishe peasantry are continued, blood wil flow in hundreds of Hungarian villages. It was later reported that milder methods had been adopted, eve though past laxity and inefficienc are responsible for stupendous arrear in existing taxes.

CZECHOSLOVAKIAN FINANCES

An important new banking bil agreed upon by the Cabinet, was introduced in the Czechoslovakia Chamber of Deputies on Feb. 11. Th object of the measure is to improv the organization and working of th country's banks in general, and especially to increase the security of deposits. The responsibilities of bank officials are enlarged, and every membe of the board of directors of a bank i required, in addition to his general obligation to make good any losses o deposits caused by fault on his ow part, to guarantee personally the safety of deposits to the extent of one fourth of 1 per cent of the bank's to

tal capital, or 50,000 crowns (about $1,500), whichever is higher. Nor does this guarantee lapse after cessation of active connection with the bank. In addition, it is ruled that no person may hold more than ten bank directorships. Persons connected with a bank who have contributed to its difficulties may be called upon to refund all sums paid them, including salaries over and above a certain level. Contributions by banks to a general fund for use in rehabilitating any of their number requiring protection for its depositors are increased from 1½ per cent of the interest earned on deposits to 3 per cent.

Despite unfavorable developments in 1931, Czechoslovakia's commercial position continues to be superior to that of other Central European countries. Her proportion of the total world trade—the largest attained by any country lacking a seaboard—has not declined. Although her surplus of exports fell off in 1931, her export business actually stood at a higher figure at the close of the year than at the opening—a showing that can be explained only by the fact that there have been ten years of rationalization of industrial plant and equipment, improvement in the quality of output and aggressive salesmanship in the world market.

The French Chamber of Deputies on March 5 approved an agreement whereby a loan of $24,000,000 to Czechoslovakia will be floated on the French market.

A Hitlerite organization, *Volkssport*, purporting to be an association for outdoor gymnastics, and sanctioned by the Czechslovakian Government in 1929, was dissolved at the end of February by decree of the Ministry of the Interior, on the ground that it had taken on a military character and had become a menace to the State.

RUMANIAN AFFAIRS

The economic situation of Rumania has been growing steadily worse; even a Cabinet crisis in the middle of February failed to bring about an improvement. The Cabinet crisis came when Finance Minister Argetoianu proposed a scheme by which farmers were to be enabled to transform their short-term debts to provincial banks (estimated at a total of $50,000,000 and bearing high rates of interest) into a thirty-year debt to the State at 4½ per cent, with the State collecting amortization and interest charges and remitting them to the actual creditors. To finance the plan a 1 per cent tax on immovable property was to be imposed each year for the next five years, raising some $63,000,000, which was to be repaid to the "lenders" at the end of the thirty-year period. On behalf of the banks, which furnish much of its strength, the Liberal party refused to support the plan, and the Rumanian Banking Association presented a memorandum to the government predicting immediate ruin of hundreds of the country's banks if the plan were carried out.

King Carol thereupon called from Geneva Nicolas Titulescu, Minister to Great Britain and Rumanian representative at the disarmament conference. Although it was announced that the former Foreign Minister's presence in the capital was solely for the purpose of discussing aspects of international policy, the suspicion that he had been recalled to repeat his attempt of April, 1931, to form a national concentration Cabinet was speedily confirmed. All efforts, however, again proved unsuccessful, and the semi-dictatorial régime of Premier Nicolas Jorga survived.

BULGARIAN FINANCES

The question of the month in Bulgaria has been whether a general moratorium on foreign debts should be declared. To the accompaniment of bold assertions by government spokesmen that no further reparations would be paid, Finance Minister Stefanov carried an appeal for assistance to Geneva in early February, with the result that three commissioners were

dispatched by the League to inquire into the country's financial situation. After a five-day investigation, completed on Feb. 13, the commission arrived at the conclusion that while the kingdom was suffering from the exchange restrictions of its neighbors, its condition was not such as to justify a moratorium or other extreme measures. They had found all private banks liquid, the currency coverage to be 37 per cent and the currency itself enjoying the full confidence of the people. The optimism of the report contrasted sharply with statements made by Premier Muchanov and other government leaders, and while at the end of February it was not believed that a general moratorium would be declared, the matter was known to be under serious consideration. At all events, there seemed some likelihood that a step would be taken similar to Hungary's declaration of a "transfer" moratorium.

The Cabinet council has decided on a conversion scheme to ease small farmers of debts up to $1,000 each by granting long-term facilities for payment and by suspending all forced sales for taxes until Nov. 1, 1932.

POLAND AND DANZIG

The resignation of Dr. Henryk Strasburger as Polish High Commissioner to Danzig was announced on Feb. 12. A former Minister of Commerce and Under-Secretary of State in the Foreign Office at Warsaw, he had been given a free hand in the High Commissionership, and during his earlier years in office succeeded in greatly improving Danzig-Polish relations. Since 1930, however, the Senate of the free city has fallen under the domination of German Nationalists and Hitlerites, and not even Dr. Strasburger's well-known skill and tact availed to avert an increasingly difficult situation. The appointment as his successor of Dr. Kasimir Papee, Polish Consul General at Koenigsberg, East Prussia, was construed to mean that the government will henceforth keep matters in its own hands and that in the future Danzig-Polish policies will be made in Warsaw, not in Danzig.

The semi-official *Gazeta Polska* found it necessary on Feb. 16 to deny sensational rumors of a Polish plan to occupy Danzig by force—"wild stories aimed at damaging Poland's reputation abroad." It is generally considered that any really aggressive move against Danzig at present would hamper rather than advance Polish aspirations. The fast-developing port of Gdynia would be affected adversely and the problem of the Corridor would forthwith become a subject of international debate and decision, which is precisely what the Warsaw authorities desire to avoid.

GREEK AFFAIRS

As a result of the conversations of Premier Venizelos of Greece with officials in London, Paris and Rome during his recent visit to those capitals, it is expected that, after an inquiry into the matter by the finance committee of the League of Nations, a substantial sum will be advanced to the Greek Government for completion of reconstruction work in Macedonia. Athens newspapers supporting the Premier indicate that the amounts asked for totaled about $52,000,000.

Royalist hopes were considerably stimulated by municipal elections at Piraeus on Feb. 29, for the Royalist candidate for Mayor polled a vote almost equal to that of his two competitors combined. Royalist demands that the Venizelos Government forthwith resign naturally went unheeded. That the incident was not wholly without significance was indicated by an assertion of the Premier that national elections ought to be held soon, in order that the world may understand that the delegates who will be sent to the Lausanne conference will really represent the Greek nation. At the end of February it was thought that a general election might be held in May.

Ivar Kreuger's Tragic End

By John H. Wuorinen
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THE suicide of Ivar Kreuger, Swedish industrialist, in Paris on March 12, evoked abundant support of the theory that he was one of the world's most influential men. Less concern, no doubt, would have attended the passing of a half-dozen kings and princes, because Kreuger's influence had been internationally potent, and his sudden end sent tremors through the intricate fiscal web which transcends national boundaries.

Born in 1880, Kreuger rose to power through a variety of interests, principally in safety matches. Through the firm of Kreuger & Toll, which he controlled absolutely, he had been able to direct the Swedish Match Company, which owns the International Match Company and reaches into nearly every country in the world, with the Soviet Match Trust its largest competitor. Kreuger's method of advancing his interests was to grant loans to foreign governments in return for a monopoly of the match business in that country. His personal fortune has been variously estimated, but in any case it was one of the largest in Europe.

To what extent the Kreuger companies have suffered from the effects of the economic depression is not known at this writing. The Swedish financier's death, however, followed immediately upon his arrival in Paris from the United States, where he is said to have been unsuccessful in attempts to borrow certain necessary funds. At any rate, upon news of his death the Swedish Government obtained authority to grant moratoria on private payments for a month—a step calculated to prevent a rush of creditors on the Kreuger companies—and on March 13 the Stockholm Stock Exchange was ordered closed for an unspecified period of time.

SWEDISH LABOR DIFFICULTIES

Threatened conflict in the Swedish metal industries was averted by the acceptance, on Feb. 2, of the proposals of the government mediator. The settlement called for a 4 to 6 per cent reduction in wages, affecting about 90,000 men. A similar compromise measure, providing for wage reductions ranging from 6 to 9 per cent, was accepted by sawmill workers on Feb. 15; thus another serious industrial contest was avoided. The successful employment of arbitration in the settlement of industrial disputes removed a heavy burden from the shoulders of the government, since a tug-of-war between capital and labor, involving over 100,000 men, would have necessarily placed serious obstacles in the way of the measures by which the government has been attempting to improve Sweden's economic condition.

The disarmament discussion in the lower house of the Riksdag on Feb. 26 brought to light a significant cleavage among the Socialists. In replying to an interpellation put to the government concerning its attitude toward the proposal of M. Tardieu at Geneva, Premier Ekman stated that the Cabinet intended to consider the proposal. P. A. Hansson, the Socialist leader, defended the stand of the government and pointed out that the Swedish Socialists favored the maintenance of an international force for the preservation of peace. Three other Socialist members of the Riksdag, however, took exception to Mr. Hansson's views and held that Sweden

should assume no military obligations whatsoever.

FASCIST REVOLT IN FINLAND

The strength and stability of the government of Finland was tested at the end of February when the Lapuan anti-Communist organization, or Fascists, mobilized about 4,000 of its members at Mantsala—forty miles from Helsinki—and threatened to march upon the capital. The Lapuans demanded the resignation of Baron E. von Born, Minister of the Interior, and of General B. Jalander, Governor of the Uusimaa Province. On Feb. 29 the Lapuan leaders insisted that the entire government should relinquish office.

President Svinhufvud, who became Prime Minister in 1930 and President a year ago as the result of the Lapuan movement, was now called upon to repress it. The army and the defense corps, in spite of Lapuan claims to the contrary, remained loyal, and the mass of the nation condemned the Mantsala demonstration. Proceeding with caution and tact, lest lives be unnecessarily lost, the government declared that the rank and file of the Lapuans would be permitted to return to their homes and that only the leaders would be punished. The latter reiterated, on Feb. 29, that nothing less than the resignation of the government would satisfy them. On March 2 General K. L. Oesch was appointed to share the Ministry of the Interior with Baron von Born, making it clear that instead of acceding to Lapuan demands the government stood ready to take drastic measures. Unwilling to precipitate a clash, the authorities waited till March 5, when the whole Lapuan rebellion collapsed. The rebels surrendered to the authorities at Mantsala, and on the following day six of the leading figures of the movement were arrested and taken to Helsinki. Among them were V. Kosola and General Wallenius. The affair thus ended without an armed clash or bloodshed.

This challenge to constituted authority marked the culmination of a series of events that have disturbed the internal politics of Finland for over two years. In the Fall of 1929 there began what seemed, at the time, more or less spontaneous mass protests against communism in all its forms. Although the Communist party was outlawed in 1923, it continued its work under new labels. Attacks on Communist speakers, the destruction of Communist printing establishments and the kidnapping of Communist leaders characterized the attempt to stamp out this type of radicalism. By the Summer of 1930, the movement, well organized and national in scope, included thousands of citizens representing a cross-section of Finnish society and cutting across party lines of all non-radical groups.

Soon, however, the activities of the Lapuans, as the anti-Communists were called, became increasingly lawless. Members of Parliament and other persons who displeased the anti-Communists were visited with forcible detention, transportation to the Russian border, beatings and so on. The kidnapping of ex-President and Mrs. Kaarlo Stahlberg in October, 1930, was the most striking illustration of the lawless policy condoned and abetted by the Lapuans. Meanwhile the government seemed unable to suppress the movement.

The Stahlberg incident, by creating nation-wide indignation, checked Lapuan activities temporarily. Among the individuals who were arrested at the time of this outrage was General Wallenius, Chief of the Army General Staff. He was tried and found guilty, but on appeal the sentence was reversed. During the past fifteen months the Lapuans, whose Secretary General Wallenius became shortly after his acquittal and resignation from the army, have acted in a manner that has clearly suggested objectives other than that of stamping out communism. Apparently they have desired a radical revision of the present demo-

cratic Constitution in the interests of conservatism and the outlawing of the Socialist party.

Anti-socialism, as distinct from anti-communism, became marked especially after the first of the year. Workingmen's halls were forcibly closed in several instances, and crimes against individuals were committed in the name of what the Lapua leaders chose to call suppression of "Marxism." The government, moreover, was informed that unless it mended its ways it would be overthrown—in other words, it would have to accept the dictates of the Lapuans or resign. That the government was determined to maintain law and order was indicated by an order issued to the provincial governors on Jan. 30, in which their attention was called to the need of energetic measures. On Feb. 3 the Lapuans informed the government of their displeasure and at the same declared that unless von Born and Jalander were dismissed the Lapuans could not "prevent acts of violence." Two days earlier V. Kosola, the outstanding Lapuan chief, had stated that unless the Cabinet indicated its agreement with Lapuan demands the whole government would be opposed.

Matters came to a head when on Feb. 27 several hundred armed Lapuans broke up a labor meeting at Mantsala at which M. Erich, a Socialist member of Parliament, was lecturing. On the following day the Lapuans were in open rebellion. The issue was clear—either the government must accept the challenge or surrender.

By March 5 complete order prevailed in all parts of Finland. The press demanded severe punishment of the rebel chiefs, who, according to President Svinhufvud's statement on March 2, will be tried for high treason.

FINNISH LIQUOR LAW

Since the signing of the new liquor law on Feb. 9 measures have been taken to establish in Finland a State-regulated system of liquor sale. The ten members of the State Alcohol Corporation were appointed by the government on Feb. 11. The capital of the corporation was fixed at 30,000,000 marks (the mark is worth about 2.5 cents), and except for two shares, which were assigned formally to two Cabinet Ministers, the corporation is entirely State owned.

THE MEMEL CONTROVERSY

The German-Lithuanian controversy over the Memel situation, which was precipitated on Feb. 6 by the arrest of Otto Boettscher, the President of the Directory, has received considerable attention because Lithuanian authorities seem to have acted in contravention of a League settlement. Governor Merkys, whose dismissal of Boettscher led to the arrest, appointed M. J. Toliszius to the vacant post, but the Memel Directory refused to accept the new appointee. The Lithuanian view of the case, presented in a statement issued by the Elta Bureau, may be summarized as follows: Boettscher, with two other members of the Directory, had engaged in negotiations with the German authorities in Berlin; in the circumstances, Governor Merkys, whose function it is to safeguard Lithuanian sovereignty in the territory, was obliged to rescind the appointment of Boettscher, whose refusal to leave his post led to his arrest.

On Feb. 13, as the result of a protest by Germany, the Council of the League of Nations discussed the problem. Von Bulow, who expounded the German view, insisted that Governor Merkys's action constituted a flagrant violation of the Memel Convention (1924), and maintained that the recent developments in Memel represented but one item in a long series of events by which Lithuania has, for some time past, been reducing the actual autonomy of Memel. The charges were denied by M. Zaunius, Foreign Minister of Lithuania, who held that the arrest of Boettscher was a logical

result of his refusal to relinquish office.

The Council appointed the Norwegian delegate, M. Coban, to act as rapporteur in the case, and instructed him to submit his findings at an early date. M. Coban's report, which was presented on Feb. 20, maintained that, contrary to Lithuania's contention, the situation in Memel is abnormal, and that the appointment of a Directory which enjoys the support of the Landtag was urgently needed. The report suggested also that the signatories of the Memel Convention should submit the matter to the World Court. During the discussion of the report, M. Zaunius took exception to these two principal recommendations, but the report was eventually accepted.

A week later Governor Merkys appointed Edouard Simmat to Boettscher's post and proposed that in the future the Directory should include, besides the President, two Germans and two Lithuanians. As M. Simmat is supposed to be Lithuanian in sympathy, the Landtag refused to consent.

NEW ESTONIAN CABINET

The Cabinet crisis created by the resignation of the Pats Government on Jan. 29 continued into the middle of February, until M. Teemant succeeded in forming the necessary coalition on Feb. 18. The new government is composed of Agrarians and representatives of the National Centre.

The Price of Soviet Efficiency

By EDGAR S. FURNISS

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THOSE who believe that life within the Soviet Union has become more easygoing or that the scope of individual freedom has broadened under the recent Communist régime will obtain enlightenment from a series of news items inconspicuously placed in the press, which record the execution or imprisonment of numerous government employes during the past few months. On Feb. 21 three men were sentenced to be shot and forty-one others were sent to prison for mismanagement of one of the cooperative markets. A few days earlier one sentence of execution and thirty-nine sentences of imprisonment were meted out to employes of the railroads. In January a succession of wrecks on the railroads resulted in sentences of death for five and terms of imprisonment for at least a dozen others. Just before these events twenty-seven government employes, mostly Communists, were arrested and punished for inefficient service in connection with the food supply; and ten others were fined or imprisoned for mismanagement of the building program. Last Spring and Summer no fewer than sixteen persons were executed for delinquency in the grain collection.

Until recently such events as these would have been featured in the Russian news; for it was the Communist dictatorship with its pervasive espionage system, its heavy oppression of the individual, its ruthless suppression of dissent, which struck the imagination of the American observer most forcibly. Nowadays the incidents of dictatorship pass without notice, overshadowed by the absorbing interest of the Five-Year Program. The change is due chiefly, no doubt, to the worldwide industrial dislocation which has turned the attention of people every-

where to the problem of economic planning. But it is promoted by the recent practice of the Soviet press in stressing the economic phases of Communist policy almost to the exclusion of its other aspects. In accordance with this change of emphasis the concept of the Communist society in the mind of the foreign observer has altered to subordinate the oppressive features of the system and to make the most of its productive activities.

To preserve a clear understanding of the conditions of life in Russia for the average individual one must guard against drawing false inferences from this shift in the relative news value of different aspects of the Soviet régime. The Five-Year Plan has not brought to the people of Russia a relaxation of the tension of life or an increase in the range of personal liberty. In the political sphere, the more violent and wide-spread manifestations of dictatorship have tended to disappear. The expansion of the party membership, the disappearance of an organized opposition and, above all, the absorption of popular energies in the economic affairs of the nation have diminished the need for open and brutal political suppression though beneath the surface the dictatorship operates as relentlessly as ever.

In the non-political aspects of daily life, on the other hand, there has been a continuous increase of pressure upon the individual. The next Five-Year Program, it is true, contemplates an improvement in the conditions of physical existence for the mass of the people—a larger ration of food, more adequate housing, some slight increase in the supply of articles of ordinary household use. But in psychological terms the burden has increased steadily and is still increasing. As the Five-Year Program has broadened in scope to involve larger numbers of people, and increased its tempo in the desperate effort to keep pace with the control figures there has been continuous encroachment upon the area of personal liberty. The obligation of the individual to labor regardless of his inclination has grown increasingly severe. The burden of his responsibility for the efficiency of his labor and the seriousness of his risk in case of failure are amply illustrated in the terse records of the criminal courts of which examples are given above.

With regard to conditions within the Communist party, also, it is easy to be misled by the harmony which apparently prevails. The absence of intra-party conflict is evidence, not of a growth of tolerance for divergent opinions as some appear to believe, but of increased despotism. The party has become united by the ruthlessness of its leaders in extinguishing all stirrings of dissent. Its discipline is more severe and the authority of the handful of men at its head more complete than ever before. When, early in February, Nikolai Bukharin made public confession of error before the All-Union party conference and was reinstated as a Communist in good standing the last potential leader of an opposition within the country was brought under control.

Outside Russia Leon Trotsky remains a constant irritation to the Kremlin by reason of his caustic criticism of the Stalin policies; and the influence of the old war lord upon the non-Russian members of the party has been great enough to inspire an organized opposition within the foreign branches of the Third International. Stalin took notice of these dissenters in foreign countries when, on Feb. 21, he prevailed upon the Praesidium of the Central Executive Committee to strip Trotsky and thirty-six of his associates of their Soviet citizenship and to forbid them for all time to enter the territory of the Union.

The heresy-hunters are again active, and not even those who openly avow allegiance to the party's leaders are safe from the accusation of heterodoxy in thought and belief. Just now it is the members' views on economic his-

tory which are being made the test of the purity of their faith. Stalin's recent article in the magazine *Bolshevik,* denouncing the spirit of "rotten liberalism" which is corrupting the minds of certain Communists, was aimed at this type of intellectual heresy. Yaroslavsky, head of the Godless Society and a relentless critic of Trotsky, is now accused of "masked Trotskyism," because his ideas regarding economic history appear to differ from those held by Lenin. Many Communists in academic life, including Professor A. G. Slutzky, a prominent writer on Communist theory, have been dismissed from the party and deprived of their professional posts for the same offense. Posters displayed in offices, workshops and social centres appeal to the rank and file to assist the leaders in hunting out those who question the creed, depicting these errant comrades as craven figures in the ranks, labeled "liberalist" and "Trotskyist," trembling before the wrath to come.

RUSSIA'S FOREIGN DEBTS

In economic affairs the problem of chief importance at the moment is the position of the Soviet Union in respect of her current obligations to foreign countries. During the year just past the unfavorable balance of Soviet trade has mounted steadily, despite a reduction of 55 per cent in Russian purchases in the United States, with the result that the trade statement of 1931, when all items are considered, will show an increase of some $125,000,000 in Soviet foreign indebtedness. Not all of this will become payable during the present year, but when the maturing obligations arising from prior commitments are added to the account it becomes clear that the Soviet Union must contrive during 1932 to pay off approximately $300,000,000 of obligations held abroad. This she cannot do by means of exports. Her entire export trade last year was in the neighborhood of $400,000,000. The decline of prices in the world's commodity markets, the disappearance of Russia's grain surplus and the increasing impediments to her trade imposed by the commercial policy of other countries make it increasingly difficult for the Soviet Union to maintain the volume of her exports at that level. By cutting her imports to the bone this year, and thus incidentally retarding the progress of the Five-Year Plan, the Union may hope to balance her 1932 trade statement and avoid increasing her indebtedness, but she cannot expect by this means to discharge the accumulated demands of her creditors.

The bearing of this situation upon the Soviet domestic program has been pointed out frequently in these pages and need not be discussed again. Its international implications are of especial importance at the present time. The danger of Soviet default not only exerts a generally disturbing influence on international commerce, but because of the peculiar position of Germany in relation to Soviet obligations it bears directly upon the financial stability of Europe. A full half of the current claims against the Soviet Union are held by German banks under guarantee of the government. Germany under the pressure of necessity to expand her exports has offered her goods to the Soviet buyers upon credit terms far more liberal than have been considered prudent by other countries. Consequently she now finds herself in the position of Russia's chief creditor, and her own ability to resume payment on reparation and private debt account depends in part upon the ability of the Soviet trade agencies to meet their obligations. The Soviet Union by defaulting payment would not only undermine still further the already insecure structure of Germany's economic system, but would add to the difficulties of the closely interlocked capitalistic world. There are those who predict that the Communist leaders will adopt this device in furtherance of their program of world revolution.

There is, however, no evidence that the Soviet Union intends to default during the immediate future. Such a policy would destroy at once her ability to import materials which are absolutely essential to the success of her program. Granting, then, her willingness to meet her obligations, the devices she must use to discharge this heavy burden are of practical importance to the rest of the world. It is clear that she must realize as much as she can by the forced sale of her products on the already depressed markets of the world. The balance, probably a major fraction of the whole, must be made up by an export of gold or of the credit instruments of other countries payable in gold.

To this end the Soviet Government is adopting various measures. The "Torgsin stores" have been set up to sell goods not obtainable in the regular market for foreign money sent to Russian residents by their friends in other countries. These enterprises are said to be producing for the Soviet treasury an income of $1,000,000 a week in gold currencies. Strenuous efforts are being made to expand the output of the gold mines through the use of imported equipment and foreign experts. The gold production for the current year is expected to equal $60,000,000. Finally, in case of necessity, the Soviet Government can export the gold reserve of the State Bank. Official figures which place the reserve at $300,000,000 are probably unreliable, but the gold stock in the possession of the bank is undoubtedly sufficient to balance Russia's account with her foreign creditors if other means fail. The problem of maintaining the stability of her own monetary system, which is officially based on gold through the redeemability of the chervonetz rubles, is of no great moment in a country where money incomes, prices and the rationing of supplies are all determined by the dictators. In forecasting the trend of events during the coming months it is safe to say that the Soviet Union intends to make full use of these various devices to meet her foreign obligations. To those interested in the development of Soviet policy the significant aspect of the situation, therefore, is not the danger of default but the effect upon foreign countries and upon the Five-Year Program of the means employed by Russia to discharge these obligations.

Arabs Offer New Palestine Plan

By Albert H. Lybyer
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ARAB leaders in Palestine are reported to have accepted with reservations a proposal to divide Palestine into two autonomous regions—one for Jews and one for Arabs. Egyptian and Indian Moslem leaders are said to be advancing this plan. The Jewish area would become the Jewish National Home. The two autonomous areas would be united in a single State, with one Constitution and an Assembly in which both Jews and Arabs would participate. If the plan should work successfully, the unified Palestine Government would apply for membership in the League of Nations on a footing similar to that of Iraq. Revisionist Jews already have expressed opposition to the plan.

Certain Palestinian Jews have proposed that Great Britain be asked to relinquish her mandate in Palestine in favor of direct administration by the League of Nations. Revisionist

ders are said to favor this plan, ich is less hostile to the Arabs than Great Britain. The basis of the vish recommendation of the ternation of the British mandate lies restrictions upon immigration, limiion of land purchase by Jews and lure to support the Jewish Nanal Home.

The Jewish Agency protested reitly because of a British decision to luce the immigration certificates the present half-year from 1,720 350, apparently because a small vish immigration naturally pro-:es depression among the Jews and isequently slackens the Jewish inests in Palestine and reduces Jewfinancial support.

THE KORAN IN TURKISH

At Constantinople on the Night of wer in the month of Ramazan the ran was read in the mosque of nta Sofia for the first time in rkish. Twenty thousand persons believed to have entered the sque that night, while as many re endeavored to but failed. Transion of the Koran into Turkish has en supported by the government two or three years as part of its npaign against Arabian influences. e innovation may turn the atten-n of worshipers from formal ob-vance to genuine understanding. rsia and Afghanistan, it is expect-will in time follow the example of rkey in translating the Koran into national tongue.

Tewfik Rushtu Pasha, after visits Teheran, has been conferring with Russian Government at Moscow out the situation in the Far East. rkish opinion is hopeful that the viet Government will not become olved with Japan and China. Tur-y's treaties with Russia provide nevolent neutrality, but not active sistance in case Russia finds her-f at war with a third government. e reason for opposition to any gen-l war is that Turkey is obliged by Treaty of Lausanne to permit the passage through the Straits of any foreign fleet equal in size and strength to the Soviet fleet in the Black Sea. The question would arise whether benevolent neutrality demanded that Turkey hinder the passage of Japanese warships or those of possible Japanese allies. Further, in the event that a war between Russia and Japan should bring about the overthrow of the Soviet régime and its replacement by White Russians, Turkey would be confronted by a far less friendly government. In general, the Turks sympathize with China, comparing the occupation of Shanghai by Japan with the occupation of Smyrna by the Greeks in 1919.

Russian trade in Turkey has suffered from the restriction of imports. Some 300 Russian officials with their families, who have been employed by Russian agencies in Anatolia for trade in agricultural and sewing machines and other articles, are preparing to return home.

ELECTIONS IN SYRIA

Henri Ponsot, the French High Commissioner in Syria, issued a decree on Dec. 7 defining the group qualifications for seventy Deputies in the Syrian Legislature; fifty-two of these are to be Sunnite Moslems, fourteen are to represent Christian and Moslem minorities and four are to be Bedouins. Ten Deputies are to come from Damascus, four from Homs, ten from Aleppo and three from Hamah. The elections, which were held on Jan. 5, chose fifty-four Deputies, forty-nine of whom were moderates. The elections in Damascus, Hamah and Doma were postponed.

Notables of the Jebel Druse met recently with the High Commissioner at El Suweida to discuss the proposals for granting independence to the region and to consider plans for stabilizing the administrative and political relations with the High Commissioner.

THE MARONITE PATRIARCH

The Maronite Patriarch, Elias Hoyek, died in Beirut on Dec. 23. As

a student he spent seven years in the Jesuit Seminary at Ghazir, and from 1866 to 1870 studied at the College of the Propaganda of the Faith in Rome. He then served the Patriarch Paul Masaa as secretary until he was made Bishop in 1889; ten years later he became Patriarch. Reckoned among the devoted friends of France, the Patriarch Elias Hoyek enjoyed a high reputation for profound piety, extensive culture, energy and courage in upholding the cause of the Lebanese. In 1919 he visited Paris at the time of the Peace Conference, to work for the autonomy of the Lebanon.

By the rules of the patriarchate a new incumbent must be chosen within eight days of the death of its Patriarch, but it was not until Jan. 8 that Anthony Aridah, Archbishop of Tripoli in Syria since 1908, was elected Patriarch of the Maronites. Born in 1863, he completed his studies in Paris, and, like his predecessor, served for a number of years as patriarchal secretary. During the ceremony of investiture at Bekorki on Jan. 10 the new Patriarch and the Bishops affirmed in vigorous terms their recognition of the ancient friendship between France and the Maronite community.

EGYPTIAN FINANCE

The depreciation of the Egyptian pound owing to the fall of English sterling has improved economic conditions somewhat. The burden of agricultural and industrial indebtedness has been lightened materially and cotton exports show signs of increasing about 30 per cent over those of a year ago. Egyptian exports to France and America have declined, but those to many other countries have increased. The government still maintains a surplus of $190,000,000—$75,000,000 of which represents cotton purchased at a cost more than double the present selling price. The actual reserve therefore amounts to about $150,000,000.

The new Egyptian budget has balanced revenue and expenditure at $185,000,000, a reduction of about $10,000,000 over that for last year.

IRAQ IN THE LEAGUE

On Jan. 28 the Council of the League of Nations announced that it was "prepared in principle to pronounce determination of the mandatory régime in Iraq." The completion of the process will require a two-thirds vote in the Assembly of the League, which probably will be obtained at the regular meeting next September. The Permanent Mandates Commission is expected to impose certain conditions concerning the protection of minorities, the rights of foreigners, freedom of conscience and economic equality. The most difficult will be that protecting racial minorities. If this program be completed during the present calendar year Iraq will have attained statehood at a far earlier date than seemed likely ten years ago.

PERSIAN TRADE

The Persian Government has modified some of the regulations concerning foreign exchange and control of imports which have hampered American trade with Persia during the past year. The government no longer exercises control over all foreign exchange transactions, although exporters still will be required to sell their exchange to the government for the use of holders of import permits. In view of the fact that a number of countries have gone off the gold standard, it is not surprising that the government has abandoned its plan to introduce the gold standard.

The total trade of Persia for the fiscal year ended March 21, 1931, showed a decline of 10 per cent from that for the preceding year; if the decline of values is taken into consideration the loss was nearer 17 per cent. Imports were about $65,000,000 and exports $115,000,000; about $75,000,000 in exports, however, belonged to the Anglo-Persian Oil Company, of which only about $9,000,000 was paid to the Persian Government.

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The Way Back to Prosperity

By J. M. KENWORTHY
Member of the British House of Commons, 1919-1931

WE still pray to be given each day our daily bread. Yet there is too much bread, too much wheat and corn, meat and oil and almost every commodity required by man for his subsistence and material happiness. We are not able to purchase the abundance that modern methods of agriculture, mining and manufacture make available in such bountiful quantities. Some economists call it overproduction; but there cannot be overproduction with millions of people living on the border line of starvation in the backward countries and many more millions below the poverty line in the advanced and more highly developed industrial communities. The problem is one of underconsumption and can only be solved by increasing the purchasing power of the masses of the people.

The need today in the world is not for bread but for more pay, more money so as to enable its inhabitants to consume what they produce. Instead of praying to be given our daily bread when the farmers in India, Rumania, Canada and the United States complain loudly of a wheat "glut," we should pray for daily pay for the many to be able to purchase the abundance and richness of the earth and the products of man's energy and invention. What is the cause of this extraordinary situation that we are witnessing in the third decade of the twentieth century? Why is mankind being asked to go hungry and cold and poverty-stricken in the midst of plenty?

The scientists, the inventors, the engineers, the metallurgists and the agriculturists have, by their achievements, removed the spectre of want and famine from the world, and in their achievements they have far outstripped the capacity of our governments and rulers. The science of government has been left behind in the system of the eighteenth century while the science of production is well ahead in the twentieth century.

The machinery of government falls into two parts. There are two governments in every modern nation—the

visible and the invisible. The visible government is that exercised by political dictators, as in Italy, or through national Legislatures in Great Britain, France, Germany, the United States and other countries. This visible government takes care of foreign relations, decides on peace and war, maintains or tries to maintain order and tranquillity, looks after the poor and indigent, the sick and the insane, either nationally, as in Great Britain and Germany, or through the States and local governments, as in the United States. But it is becoming more and more divorced from, and less powerful than, the invisible government; and this invisible government takes the form of financial control.

In the United States the invisible government consists of the organization of the Federal Reserve Bank, "Wall Street" and a few powerful bankers, aided by their economists and statisticians. Naturally, it keeps in touch with the President, the Secretary of the Treasury and the political leaders of the party in power. But it functions independently and is directly answerable to no one.

In Great Britain the invisible government consists of the court of the Bank of England, whose directors are appointed by the inner circle of the financiers who control the large international banking houses. The court of directors and the governor have a close working arrangement also with the permanent officials of the British Treasury, who in their turn advise or inform the Prime Minister and the Chancellor of the Exchequer. In theory, the Bank of England, the bank of the bankers, is divorced from political control and interference. Actually it works closely with the treasury, as already stated; but the treasury itself, the most powerful department of State, attempts to work independently of Parliament and, as much as possible, independently of the political heads of the government.

I was a member of a special committee set up by the British Labor party, when in office, to investigate the economic difficulties of last Spring, when the situation was working up to the crisis which overthrew the Labor Government and installed the present National Government in office and forced Great Britain off the gold standard. One of our witnesses was the governor of the Bank of England, and toward the end of the third session, at which he testified, I asked him outright what were the relations between the Bank of England and his Majesty's Treasury. His reply was that they were the relations of Tweedledum and Tweedledee.

In France the invisible government consists of the governor of the Banque de France, the central bank of issue, the permanent officers of the French Ministry of Finance and the *grande bourgeoisie*, principally located in Paris and consisting not only of the great bankers and financiers but of the leading industrialists. The alliance between the political leaders of the party in power and the invisible government of France is similar to that of Great Britain. Thus, if there is a strong and well-informed Minister of Finance or Prime Minister, or both, he or they insist on being informed or consulted on matters of high finance.

The German situation is very similar, except that the functions of the central bank of issue are even more independent of the popularly elected government. This was brought about by direct allied action after the World War as part of the policy of exacting reparations from Germany and after the great German inflation.

In all these cases, including that of the United States, the central bank is supposed to be divorced from commercial profit-seeking interests and to work as a public utility. And, no doubt, the controllers of these central banks try to interpret their functions in this way. But the whole of this system of financial government is in a

rudimentary stage of development, especially in its international sphere.

Now it is becoming increasingly evident, and recognized by all informed persons, that the monetary problem itself is at the root of all our present difficulties and that it cannot be solved by any nation acting independently. The United States is nearly self-supporting and almost independent economically. Only 10 per cent of the total production of the Union is exported abroad. But this 10 per cent makes just the difference between profit and loss, between success and failure. Political isolation is theoretically possible, but economic isolation means poverty and a lower instead of a higher standard of living.

There have been increasing attempts at cooperation between these invisible governments on both sides of the Atlantic, but the process is slow and cumbrous, and all sorts of difficulties have arisen owing to differences of outlook and opposing policies. For example, with regard to the crucial question of intergovernmental indebtedness and reparation obligations, there are an American policy, a French policy, a British policy and a German policy, and all four are opposed to each other, though there is more concurrence between the financial policies of Italy, Great Britain and Germany than between those of France and the United States.

The nearest approach to an international financial body is the Bank of International Settlements at Basle, Switzerland, set up as a clearing house for reparation payments. With its American president and its governing body nominated by the central banks, it may, in time, develop into a real central *international* bank for all the member nations. But here again the process of development is slow, and there are only too clear indications of a lack of any settled policy. In other words, the leaders of banking and finance in the world are uncertain as to what is wanted, what policy they should pursue and what action they should take. And so each of these invisible governments drifts along, acts independently, tries to help commerce and industry, no doubt, and hopes for the best.

Yet regard the power of these invisible governments! Their policy, or lack of policy, has tremendous influence on the lives of the mass of people. The governing bodies of the Federal Reserve System and the member banks in the United States can decide on prosperity or penury for millions of people. They can extend or restrict credit, either making fortunes for thousands or bankrupting and ruining other thousands of corporations, firms and individuals. They raise or lower the bank discount rates, making business, commerce and agriculture profitable or unprofitable.

As the former centre of world finance and the seat of operations of the most experienced international bankers, England has developed the system more highly than any other nation. Nevertheless, in the United States and France the power of the central banks over the life of the community is tremendous. Though the power exists, it is not always used, and when it is used it is used incorrectly or tardily. A case in point is the great stock market boom in the United States in the years before 1929, which was the American equivalent of inflation and which was recognized as dangerous by the governors of the Federal Reserve Banks and other financial leaders for a considerable period before the break. It was known that the prices of industrial and other securities were being forced up to fantastic and unhealthy heights.

Rightly or wrongly, the governors of the Federal Reserve Banks and their advisers, the invisible rulers of America, desired to check this boom in 1927; they did not do so because there was a Presidential election coming in 1928, and tremendous pressure was brought to bear on the Federal Reserve Banks to do nothing, in the

interests of the Republican party, to check the prosperity wave. Therefore, although warnings were issued, the market was given its head, allowed to rush along the road of inflation, not of the currency, but of values, and the curb was not applied until 1929.

Not so long ago I asked a prominent spokesman of American high finance, who had a good deal to do with the final decision to check speculation and Stock Exchange gambling, whether the American boom could not have been continued indefinitely by the simple expedient of a Presidential election annually. He replied that this would work well enough for a few years, but the subsequent slump would have been all the more violent.

Let me now turn to a British example of the working of the invisible government of finance and its effect on the fortune of millions of people, both in Great Britain and elsewhere. During the World War there was a tremendous expansion of currency and credits, in Great Britain as in the United States. Great Britain, despite the yield of high taxes, piled up a debt of $40,000,000,000. Our industrial, mining and agricultural equipment and production were trebled. Money was cheap and plentiful and, despite certain privations due to the war, the standard of living of the working people and middle classes was considerably raised. Great Britain was able to finance her allies, later with the assistance of the United States, and to pour out an enormous volume of munitions and instruments of destruction for the waging of the war. The pound sterling was pegged to the dollar; that is, it was not allowed to alter in exchange value. And then the armistice brought about a standstill and a new situation.

The pound was unpegged in 1919 and fell from its parity of $4.86 to about $3.30. Nevertheless, trade was good. Most of the world was suffering from a shortage of various manufactured goods, and there was brisk demand for British products. But here was this tremendous equipment, more land under cultivation than at any time during the previous fifty years, and more ships sailing the seas under the British flag than before the war. Despite the slaughter on the battlefields, there were actually more persons engaged in mining, industry and agriculture than in 1913, which was a boom year.

The financial powers, faced with this problem, decided that there must be contraction, in other words, deflation; the pound sterling was to be forced back to parity with the dollar. The Chancellor of the Exchequer was Sir Austen Chamberlain, a weak though well-meaning man, with a rigid, orthodox mind. The Prime Minister was Lloyd George, engaged up to his eyes in the peace treaty negotiations. Chamberlain acquiesced in the deflation policy, and the long struggle began.

The bank discount rate was raised; credit was restricted; loans were called in, and the Bank of England sold securities in the open market. This process continued for five years. The result was rapidly rising unemployment and increasing difficulties for industry, mining and agriculture. There was one very serious mining strike and a number of other industrial disputes.

In 1925 the pound sterling had risen on the international exchange and a decision had to be reached as to whether Great Britain should return to the gold standard. Winston Churchill was now Chancellor of the Exchequer under Mr. Baldwin as Prime Minister. Baldwin it was who had, when Chancellor of the Exchequer, made the British debt settlement with the United States. Obviously the higher the value of the pound in comparison with the dollar the easier it would be to meet the obligations under that settlement. Furthermore, the debts owed by France, Italy, Belgium and other countries to Great Britain were repayable in sterling, as is the interest on the $20,000,000,000 worth

of foreign investments held by British private citizens and commercial and banking corporations all over the world.

From the banking point of view, therefore, the return to the gold standard, with the pound worth its full twenty shillings, was advantageous. Actually, however, the pound was not worth twenty shillings, for its parity was artificial. Nevertheless, the risk was taken, despite some protests from the economists and by one important public leader. It is noteworthy that at the time of the return to the gold standard in 1925 Lord Beaverbrook, a millionaire, a very successful business man and an important newspaper owner, made his views heard in opposition, and has done so ever since, and that in the Spring of 1931 he advocated abandoning the gold standard. As I am opposed to Lord Beaverbrook's economic policy of a "free trade British Empire" with tariff walls against the rest of the world, I have pleasure in testifying to his far-sightedness in this matter.

But the return to the gold standard was brought about in 1925 and had important results. It immediately put up the price of British coal by between 5 and 10 per cent to foreign purchasers, and in the keenly competitive market for coal, owing to the increasing use of oil and electricity, this struck a heavy blow to the coal export trade. The mine-owners demanded lower wages to make up for the higher gold standard price of their product. The million miners resisted and were locked out. They called for aid to the Trade Union Congress, and not in vain. There followed a general strike, when all the working men organized in unions and their comrades not in the unions downed tools in aid of the miners.

The general public defeated the strikers, who were never revolutionary and not well led, but the locked out miners continued to resist for another six months with increasing poverty and distress, while the country lost trade. It took a long time for British industry to recover from this blow. There was some kind of recovery in 1929, until the Hatry bankruptcy upset the British markets. To this blow was added the break in Wall Street. The Hatry bankruptcy and many other failures in industrial combines were largely brought about by the deflation policy and the restriction of credit and banking accommodation as part of the policy of remaining on gold.

To remain on the gold standard and to continue the lucrative international banking business of the City of London, it was necessary also to induce foreign investors to leave their deposits with the English merchant banks or the Bank of England. This, in turn, entailed high bank rates of discount and was a further blow to business. Unemployment figures mounted; agriculture and mining suffered; social measures of relief increased in cost; and, finally, the Austrian and German breakdown and the run on the British gold reserves led to the abandonment of the gold standard by Britain in September, 1931.

If there had been better cooperation between the central banks of London, Paris and New York, the Wall Street boom could have been checked more gently and earlier and with less dire results, Great Britain could have remained on the gold standard, and many of the bank failures in the United States, Germany and France would have been avoided. But there was lack of such cooperation until too late. And, despite the continuance of the depression, there is still very meager cooperation.

The idea in the public mind, widely held in all countries, is that booms and slumps in trade are uncontrollable and are acts of God, like bad weather and earthquakes or the tides of the oceans. These slumps and booms, however, depend on the price level—

the prices which commodities command in the world markets, which in their turn determine international trade conditions. The most sensitive prices are those for primary commodities, the products of the land, mines and forests. If prices fall, the producers of primary commodities are unable to purchase manufactured goods. Furthermore, with a falling price level for raw materials, the manufacturers themselves are afraid to purchase more than for their day-to-day needs.

If, for example, a textile manufacturer finds the cotton market weak, he is afraid to buy cotton because his competitor, by holding off the market until the price falls further, will be able to undersell him in the future. The manufacturer therefore only buys from day to day or even stops production altogether. The falling price level therefore has a double effect. It reduces the purchasing power of the producers, and its leads to a diminishing demand for their products.

Today the wheat, cotton and tobacco farmers in the United States are saddled with debts and mortgages contracted when their products were worth three times as much in gold dollars as they are today. It therefore needs three times the amount of crop to meet the same interest charges on a debt or mortgage. We here see the phenomenon of the iron dollar and the elastic goods; that is, debts remain at the same value in gold but the goods with which to pay them have fallen steeply to a fraction of their value.

This fall in the price level is not determined, as the older generation of economists taught, by the laws of supply and demand, but by the volume of money and credit available. It has been proved statistically, without any possibility of refutation, that throughout the last fifty years the price level in the United States has been directly dependent upon the ratio between volume of credit and volume of trade. When trade was increasing, with greater productivity and new inventions, and when bank credits were made easy, prices rose and booms followed. When credit was restricted—remember always that productivity has steadily increased throughout the world during the last fifty years—prices fell. When credit, which is the modern currency of commerce, was sufficient but not more than sufficient for the expansion of trade, prices remained steady.

In passing let it be noted that coins, paper money, bank notes and so forth are only the small change, the till money of industry and commerce. In all the larger transactions no money actually passes; bills of exchange or bankers' checks are tendered in payment.

Suppose a group of business men desire to erect a skyscraper in a Western town. Having arranged for the necessary bank credits, they sign a contract with a builder. He is paid by check at intervals while the work is going on or when it is completed. With the bank credit created by the checks, drawn probably on the same bank, the builder purchases his steel, concrete, electrical fittings, and so forth. And with checks he pays the architect, the sub-contractors, the hauling companies and the like. The only "money" involved is the weekly wages paid to the workmen, which would be rarely more than one-quarter of the total cost involved. The wives of the workmen pay the dollar bills over the store counters on Friday and Saturday; the storekeepers put them back into the banks on Monday; and they are drawn out again on the following Friday to be paid once more in wages.

It is bank credit that matters today, and it is bank credit that has been restricted in Great Britain since 1919 and in the United States since 1929. In each of the last three years in the United States bank credits have been contracted 20 to 25 per cent. Is it any wonder then that the real estate mar-

ket has collapsed, that agriculture is nearly ruined, that manufacturers have ceased production and that there are bread lines of unemployed in the cities? Is it any wonder that prices of all primary products, with the one exception of gold, have fallen steeply? Is it not obvious that the present monetary system is hopelessly out of gear and unsuitable for modern requirements?

There are many causes for this breakdown. One of them, though not the most important, is the abandonment of bimetalism. The devaluation of silver has led not only to a restriction of trade and credit, but also to a shortage of gold. To re-evaluate silver would be a help, especially for the commerce of Asia, but by itself it would be inadequate.

Another cause of the depression is the misuse of gold. It is being used as a commodity of commerce and, still worse, an instrument of international policy, especially by France. There is a gold shortage also owing to the policy of the creditor nations, especially France and the United States, who insist on their debts being paid but who refuse, by the erection of high tariff walls, to take payment in goods. But in any case there was bound to be a world-wide shortage of gold, owing to the non-discovery of new mines since gold was found in Alaska.

Yet shortage of gold would not in itself cause all this distress if the metal were used only as a measure of value and not as a commodity or as a means of making international payments. Mankind is used to the idea of hard metal, cash money. But this is only a sentiment. An excellent substitute for gold as a medium of exchange and payments has been found in bank credits, national and international. But if credits and currency are to be limited by the amount of gold sterilized in the vaults of the central and reserve banks, the situation becomes hopeless. The production of gold has not kept pace with the increase in the production of goods and commodities. True, gold does not deteriorate or wear out, but it is increasingly used in industry and the arts and is being hoarded in many countries, notably India. A few bold dealers are selling Indian gold. But it has been made into jewelry or buried in India by her 300,000,000 inhabitants for many centuries, and the quantity hidden in the Indian Peninsula is enormous.

The world production of gold in 1903 was 15,934,268 fine ounces, equal in value to $347,000,000. In 1929 the production of gold for the whole world was 20,191,478 ounces, or $403,000,000. In 1903 the production of the leading basic commodities for the whole world, excluding Russia, was valued at $26,049,000,000. In 1929, with world production far below capacity, the value of commodities produced was $46,500,000,000. Obviously, the production of commodities had outstripped the production of gold during the twenty-six years. Each of the former gold discoveries—the looting of the New World by the Spanish conquerors, the Australian and Californian gold rushes, the opening of the mines in South Africa and in the Klondike—led to an expansion of trade and industry. But now we have discovered in modern banking and credit practice—if we will only use it —something better than new gold fields.

It would be possible today for the Federal Reserve Banks to raise prices in the United States to the 1927 or 1929 level by buying securities in the open market to the extent of $200,000,000 or $300,000,000. This would make more funds available for the member banks; eight or ten times that amount could be given in credit or lent out to industry.

But this might weaken the dollar in the world markets. Fluctuating exchanges are another great hindrance to international trade. Yet if the cen-

tral banks of *all* the leading financial and industrial nations decided to expand credit simultaneously, there would be no fluctuation or little fluctuation in the exchanges and world trade would revive. Better still, the exchanges could be pegged in relation to one another and fluctuations thereby avoided.

If prices rose too high, by selling securities the central banks could restrict credits and check the boom. The ideal would be to keep prices steady, to encourage the growth of production and to issue enough credits and currency to meet the increased needs of expanding activity. By this means we could steadily raise the standard of life of the people of all countries, avoid alternate slumps and booms and eventually abolish unmerited poverty.

The economics of today as taught by the orthodox are out of date because they were meant for a world situation in which famine and scarcity were the normal conditions and in which mankind was engaged in a fierce struggle against the forces of nature. Men had to save and hoard and put by for a rainy day But now modern science and industry, with better means of transport and communication, have removed the spectre of famine and want. The need now is to spend, consume and thereby use up the overflowing abundance which every civilized community can produce. Mass production must be accompanied by mass consumption, otherwise society will either bankrupt itself or seek relief in warfare and destruction. Nevertheless, we continue to urge the practice of thrift and penury, to deflate and restrict credits, when markets, warehouses and granaries are choked with unsalable goods.

The position is like that of a party of explorers who have crossed a desert. There it was necessary to conserve their water supply, to dole out the precious liquid in daily rations. But now the travelers are in a boat on a great fresh-water lake, and still they dole out their scanty supply of water in little cupfuls and suffer thirst and privation.

The test of whether our present civilization will survive depends upon our solving the modern problem of under-consumption in a world materially richer than ever before. Is mankind really to sit down and starve, because of lack of leadership and courage in the invisible governments of high finance, or will the common sense of the common people demand that a way out of the apparent impasse be found?

The Mood of the Mid-West

By THEODORE CHRISTIANSON
Governor of Minnesota, 1925-1931

MID-WESTERNERS have endured the depression so long that they are able to consider it somewhat calmly, even though they have no disposition to accept it complacently. Unlike the New Yorker, who still spells depression with a big D and dates it from October, 1929, the mid-Westerner is no recent shell-shocked recruit. After twelve years of "double drill and no canteen" he is a veteran inured to the hardships of a long siege. He knows that he cannot run away. So he has quite definitely decided that his only course is to fight through.

Perhaps for that reason there is less disposition to acquiesce in *laissez-faire* in the corn lands than elsewhere in the country. Then, also, the demand for action is in the blood. The men who built an empire on the prairies had to devise expedients to meet conditions. If they had been unable to, their venture would have been brief and fruitless. It is natural, therefore, for their sons to assume when conditions change that policies must change also, and that when something goes wrong something must be done about it. So it is that from the time of Sockless Simpson to the present day, the Middle West has been an incubator of new ideas concerning politics and unorthodox opinions upon economics. The essential difference between the East and the Middle West today, politically speaking, is that in the East control is still in the hands of those who do not care to experiment, who hold to the old policies—and have profited from them—while in the Middle West power is passing to those whose opinions are regarded further East as somewhat heretical.

It is inevitable when many new devices are tried that some of them do not prove efficacious but even harmful. There is no laboratory where every experiment yields the results that were expected. So, by trial and error, the Middle West has been forced to reject such expedients as guaranty of bank deposits, State banks, State mills and State packing plants. It has had some disillusioning experiences with State rural credit systems. In fact, so far almost every attempt to socialize business or industry has failed. It is not necessary here to say whether failure was due to incompetence, dishonesty or to that something inherent in business which foredooms it to failure when the incentive of private profit is lacking.

There have been experiments in the political field which, no less than those in the economic, have failed to fulfill the high hopes of their sponsors. The initiative and referendum, popular election of United States Senators and the wide-open primary—mid-Western ideas which originated with Populism but have been adopted more or less generally by the country as a whole—have certainly not been the unfailing panaceas they were expected to be by the political doctors who wrote the original prescriptions.

But, undaunted by defeats and failures, the Middle West has not lost its zeal for experimentation. There have been crop failures, too, yet the people have continued to plow and seed. Then, why not continue to experiment with economic formulas? One of the most

recent proposals from the rural interior was the McNary-Haugen bill. Twice passed by Congress, but twice vetoed by a President who was Eastern conservatism incarnate, it still stirs hopes in the wheat country. The resentment which followed the defeat of that measure was not due to any fixed conviction that it would solve the surplus problem, but rather to the feeling that the farmers should be permitted, at their own expense, but under government auspices, to make the experiment. "If you cannot propose something better, why do you not let us try this?" was the question directed by the West to the East. To that question there has been no answer to satisfy the Western farmer.

The effort to evade the issue by creating a Farm Board, which the farmer had not asked for, and lending money to a government-sponsored Grain Corporation to buy and hold a part of the surplus, an expedient in which the farmer had no faith, did not placate agriculture. To the farmer it seemed as futile a proceeding as trying to lower the sea-level by pumping water out of the ocean. The export bounty might have failed; it probably would after foreign markets had been closed against us by retaliatory tariff walls, and after demand for our wheat had fallen off because of milling regulations enforced by governments determined to make their countries self-supporting. But, having failed, it would at least have settled an issue; and it might have served to convince the wheat grower of the wisdom of crop curtailment.

The thought so common in the East that unprofitable prices will of themselves force acreage reduction, and that therefore the surplus problem will solve itself, does not square with the facts. On the contrary, low prices compel fuller utilization of the land. A farmer who finds that he cannot meet taxes and interest this year will inevitably seed more acres next year. That he not only destroys soil fertility by refusing his land a fallow year occasionally but also aggravates the surplus problem and increases the likelihood of still lower prices does not deter him in the face of the immediate necessity to increase his present income. Thus, we are told that, despite huge accumulations and the lowest prices for several decades, the Spring wheat acreage of Minnesota, North and South Dakota and Montana will this year be 17,925,000 acres, as compared with 15,002,000 acres in 1931. Oats are so cheap in the Middle West that a farmer must sell three bushels for the price of a haircut; nevertheless, the acreage of oats for 1932 will be 8.4 per cent over that for 1931. Likewise, the corn acreage, according to government estimates, will show an increase of 2.2 per cent.

Swivel-chair economists to the contrary, it should be evident that in those parts of the country where land values are so high that abandoning a farm involves the sacrifice of a large investment, low food prices stimulate production instead of restricting it. If low prices do cause decreased production anywhere, it is on submarginal lands, where there is less sacrifice in giving up the struggle than in trying to hold on. Mid-Westerners strongly oppose reclamation projects which have for their purpose the increase of the agricultural area of the country; they feel that lands in need of irrigation to produce should hereafter be kept in reserve, awating the time when population shall impinge upon food supply. They see no consistency in maintenance by the Federal Government of two agencies, the Department of Agriculture and the Farm Board, one teaching farmers how to raise more and the other urging them to raise less.

The resentment caused by the refusal of Eastern interests and people to give Western ideas of farm relief a fair trial has not been diminished by the apparent willingness of the powers that be to accept any proposal advanced by finance and industry for their own rehabilitation. The protest

against the Hawley-Smoot tariff law has not yet died down. Mid-Western Congressmen who favored it because it contained a sop to agriculture, in the form of increased duties that cannot be effective upon commodities of which there are surpluses, are still explaining their votes. The President escapes much of the criticism that would otherwise be visited upon him, because it is generally conceded that after Congress had kept business in suspense more than a year while wrangling over the bill he might have done more harm by vetoing it than by signing it.

The Middle West is traditionally for the tariff. Election after election, men have been sent to Washington to vote for higher schedules in the hope that from industry's laden board some crumbs might fall to Lazarus. There has now come the realization that while the diner at the table has been waxing big and strong the crumbs have become smaller and fewer.

Lately the thought has sped from farm to farm that industry, not satisfied with earning generous profits by charging the home people all the tariff would permit, was using the wealth and power so attained to seize foreign markets. The significance of the new economic imperialism has only recently come to the corn lands. The farmer, since he lost his own foreign outlet, has been doing some thinking, and this is the way he has reasoned: "Europe cannot buy our grain and meat and pay for it in gold, because, outside France, Europe has practically no gold. In fact, Europe already owes us nearly $20,000,000,000 payable in gold—twice the world's supply of that metal in monetary form. Therefore, if Europe is to buy from us, we must be paid with goods. If our tariff wall makes it impossible for Europe to get goods into this country, it will have nothing with which to buy our surplus crops. Furthermore, when American industrialists crowd Europe out of Argentina, they make it impossible for Europe to establish credits with which to buy Argentine grain and cattle and thus compel Europe to raise its own. Thus, the disparity between supply and demand, already serious throughout the world, is aggravated, first, by depriving Argentina of its outlet; second, by increasing European production." And where the name Argentina has been used, Canada, Australia or New Zealand might be substituted.

The farmer is now convinced that his loss of foreign markets is due in no small measure to industry's ruthless penetration of the foreign field, which has forced Europe to divert its energies from manufacturing to agriculture. He realizes, of course, that it would be futile to ask industrialists to forego opportunities for profitable business abroad; still, he questions the wisdom of pressing those opportunities to the point of destroying the buying power of 30,000,000 rural folk and their millions of small-town constituents, who constitute the best part of industry's home market. To him it seems that industry has but repeated the folly of Aesop's fabled dog, which was so anxious to seize the bone alluringly reflected in the water that it lost the one it had.

The Western farmer also questions the wisdom of other policies and practices which have helped business prosper at the expense of agriculture. The activities of New York bankers who sold foreign bonds to the amount of several billion dollars, although perhaps not chargeable directly to the government, met with a success that would not have attended them but for the sanction and approval of governmental bodies. The $9,500,000,000 lent abroad—$300,000,000 more than enough to refinance the farm mortgage indebtedness of this country—would have brought interest rates down if left at home. The $8,500,000,000 invested in foreign railroads, power plants and factories, if kept in America, would have made credit very cheap. The total of $18,000,000,000 with which American investors have

tried to finance the world would have given capital already invested here so much competition that there would have been a very substantial lightening of the burden which borrowers are now carrying.

Investors would have been better off. Their net returns from loans bearing low rates, secured by mortgages on mid-Western farms or on other substantial property at home, would have been better than those which they may anticipate from precarious foreign bonds, which have already, on the basis of present quotations, suffered an average loss of nearly 60 per cent. Furthermore, there can be no doubt that lower interest rates would have made investments in bonds and mortgages at home more secure, and therefore more desirable. A saving of 1 per cent in interest, if applied semiannually, will amortize a mortgage in less than thirty-five years. A saving of 2 per cent would greatly accelerate the liquidation. Farm mortgages which are unsound at 6 per cent would in most cases be worth par at 4, because, while few farms will earn 6 per cent upon a 50 per cent loan under present conditions, most farms, if well managed, can be made to earn 4.

These are some of the considerations which are causing Western Senators to introduce bills calling for government refinancing of farm mortgages at very low rates. Strength and plausibility have been given to their position by the liberality of the government in extending loans to Europe after the war and by its recent willingness to go to the rescue of distressed banks and railroad companies. If the government can rehabilitate Europe it should be able to resuscitate America; and if it has money enough to save banks and railroad companies it should be able to rescue the beleaguered farmers—equally important in the national economy—who are losing their farms. These are the arguments, good or bad, which one hears on the farms and in the village in support of such measures as the Frazier bill.

Congress has countered with an appropriation of $125,000,000 for increased capitalization of the twelve Federal land banks, with the proviso that $25,000,000 shall be used to inaugurate a more liberal policy in dealing with defaulting mortgagors. The mid-Western farmer points out that $125,000,000 is a pitifully inadequate sum in view of the retirement of many agencies from the farm loan field. Furthermore, he reasons, unless prices of his products can be increased, there is little point in postponing foreclosures; the delay will only prolong his agony. These conclusions he has arrived at calmly. There is no disposition to face the future emotionally. He has not given up in despair, nor does he intend to fool himself into thinking that makeshift remedies will work miraculous cures. He is still willing to experiment, but is in no mood to become excited over experiments that have only half-way objectives.

The mid-Western farmer views the new Reconstruction Finance Corporation realistically. He does not expect it to conjure prosperity out of an economic vacuum, as the magician pulls a rabbit out of a hat. The value of the new $2,000,000,000 organization lies probably in the fact that it prevented worse calamities than any thus far experienced, rather than in effecting a cure for the ailment from which the country is suffering. No one knows what might have happened if the credit of the government had not been used to steady confidence; perhaps some of the larger banks might have crashed; probably several of the great railroad companies would have defaulted. Any such development might have thrown the nation into panic, with tragic consequences. The administration is entitled to great credit for having initiated the movement to marshal the constructive

forces against those of fear and disintegration. If it is to receive any criticism, it is for having delayed action too long, a criticism that can be answered by saying that the President probably acted as soon as public sentiment was ready to support him.

The great danger now is that the country may have been lulled into inaction by this admittedly salutary but yet incomplete program for rehabilitation. The banks, the railroads and the insurance companies have been given respite; will they, and those who take their opinions from them, assume that everything that can be done has been done? Will the East, now that these interests centred there have been taken care of, at least temporarily, sit back and let *laissez faire* take its course? These are questions that are agitating the Middle West, which, accustomed to disillusionment, and perhaps too willing to experiment, sees the need of applying more drastic remedies than have as yet been considered seriously in respectable Eastern circles.

The cure for what ails us is not to be had by tapping a new source of credit, however necessary that may be in order to stave off creditors and bank depositors. The government may put its money into banks, but that money will not necessarily increase business, since the banks may decide to hoard it. The charge has been made that the bankers are the worst hoarders in America today. Whether that is true or not, it must be conceded that the bankers would not be justified in lending the funds secured by rediscounting paper at the Federal Reserve Banks or in other way, unless and until they were sure that business and industry had recovered to such an extent that the loan would be safe. Conversely, good business men will borrow money only when there is opportunity to use it profitably.

The money advanced by the Reconstruction Finance Corporation to banks may be useful to meet runs or to prevent them, but it will not begin to rehabilitate business until the downward price trend stops and an upward trend begins, for only then will it be safe to lend money or to borrow it. When better times come it will not be because money is easier to borrow but because it is easier to earn. Increase in commodity prices is, to the farmer's way of thinking, the absolute prerequisite to a return of prosperity.

What would bring about a higher level of commodity values? Curtailing production? Yes, if that could be brought about. For reasons that have already been given, crop curtailment cannot come through voluntary action so long as low prices make increased production necessary to the individual farmer. If accomplished, it will be through the elimination of the marginal producer after long and painful attrition, with efficient producers on fertile land suffering with those destined for extinction; or it will be through government regulation of a sort people will not tolerate so long as the idea of personal freedom dominates our political thinking.

Price fixing by law has had its adherents. In fact, a Western Congressman recently introduced a bill providing that the minimum price of wheat should be $1.25 a bushel. He would maintain the price by giving the President power to put into effect, from time to time, such tariff rates as would support it. How the means proposed would accomplish its purpose is not apparent in view of the fact that wheat prices have at times been lower than the protective duty. Surely in the absence of some allotment plan for limiting acreage, price fixing by law would seem to be a doubtful remedy for the farm problem in a country which habitually raises surpluses.

There remains one means by which the price level might be raised—inflation. Inflation does not necessarily mean silver, although the shade of

William Jennings Bryan is again moving over the prairies. Inflation might be accomplished through the Glass-Steagall act, some believe, if the bankers on the Federal Reserve Board were not too much committed to the old school of economics to make full use of the powers conferred by the new law. There is no unanimity of opinion as to how inflation should or could be accomplished; but there is a decidedly predominant opinion that it must be, if economic stability is to be restored. In 1920 it took only 240 bushels of wheat to pay interest on a $10,000 mortgage; now it requires 1,200 bushels. The result is that mortgages are not being paid; they are being foreclosed. Only when commodity prices become high enough to pay debts will buying power return; and only when buying power returns will labor find employment. So says the economist of the wheat country, and he is gaining many followers.

Would not inflation be unjust to the creditor, would it not confiscate his property proportionately to the extent of the inflation? No, says the mortgage-harassed farmer. The creditor parted with 100-cent dollars. Inequity would result if he were to be repaid with dollars that have a purchasing power of 200 cents. If the dollar were stripped of its enhanced value the creditor would be paid in the coin with which he parted. There would be justice to the creditor, the debtor and everybody except the unfortunate who has already been sold out. In fact, the creditor would be better served by being paid in money of reduced purchasing power than by obtaining property which, under these depressed conditions, has no income-earning capacity; it would be better to lose something through inflation than to lose all through repudiation and default.

So the West is ready for another economic experiment. There is no unanimity of opinion as to the direction in which the experiment should proceed, but there is a conviction that the experiment must proceed until a monetary system is established so stable that wealth or poverty for all the people shall no longer depend upon fluctuation in the gold supply. Let me add that in this article I have not sought to express my own opinions; I have sought to interpret a political thought so generally held as to be typical of the interior.

How will the present thought on economic problems affect voting in the West next November? Not so much as some politicians believe. Election results depend more upon how people feel than upon what they think. There are so many issues which cross party lines that it is seldom possible to divide voters sharply on the basis of what they believe politically. If wheat is 75 cents a bushel and hogs are 5 cents a pound in October, Herbert Hoover will carry most of the mid-Western States. If not—but why risk the rôle of prophet?

Pius XI: A Modern Pope

By P. W. WILSON

TEN years ago Pope Benedict XV died amid the chaos left by the World War. Institutions everywhere were shaken and the most solid of autocratic dynasties, as they had seemed to be, crashed into dust. The abuse of secular authority brought all authority, spiritual as well as secular, into discredit. With secularism everywhere triumphant, the Roman Catholic Church seemed to survive as a shadow of the magnificent mysticism which had pervaded the Middle Ages. Would it be possible for the most ancient, the most conservative, the most ceremonial, the most sacerdotal of all communions, with its uncompromising insistence on the supernatural, to flourish unchanged in a century where change had been already thus violent and universal?

It was with this question unanswered—a question affecting Catholic communities nominally embracing 330,000,000 people—that the Cardinals assembled in conclave to exercise a brief but collective sovereignty. They who had received the red hat from the late Pope, among whom was a certain Cardinal Ratti, occupied purple thrones; elder Cardinals had thrones of green, and each of their eminences, whether he ranked as Bishop, priest or deacon, sat for the moment under his own canopy. Withdrawn from all immediate contact with a war-weary world, the princes of the church were surrounded in the Sistine Chapel by the solemn splendors of Michael Angelo's genius—apostles and prophets brooding over their deliberations, and the Deity himself depicted in final and awful judgment on the affairs of men.

To choose a man was the only business before the conclave, and during four days of strictest seclusion the Cardinals cast the "scheda" or secret ballot into the silver chalice, thirteen times. Mingled with straw, the voting papers were thrust into the most famous of all iron stoves, and black smoke from the chimney indicated that the election was incomplete. On the fourteenth ballot no straw was added to the burning papers. The smoke from the chimney rose white. The crowds knew that a two-thirds majority had been obtained. *"Habemus Papam!"* they cried. "We have a Pope!" By a touch of the hand, each Cardinal, save one, lowered the canopy above his head—the only canopy now to be seen covered the throne of Achille Ratti.

Achille Ratti, now Pope Pius XI, faced the most stupendous task that has ever fallen to the lot of an ecclesiastic. The new Pope had played no such part as Rampolla, the Secretary of State under Leo XIII, or Mercier, the national hero of Belgium. The red hat of a Cardinal that he now exchanged for white had been worn for hardly a year. Yet the very fact that he was what politicians call "a dark horse" meant that there must have been something in his personality to warrant so signal a tribute of confidence.

In the Roman Church the clergy are celibate. What Scotland calls the child of the manse is thus impossible, nor are there the definitely clerical homes and families which are grouped,

let us say, around the "close" of an English cathedral. An Italian boy, whatever he is to become, starts life among the laity and breathes the atmosphere of everyday life. Like other ecclesiastics, Pope Pius XI has been subjected to the environment of the most compelling of all professions. The peculiar fascination of his pontificate lies in the fact that, despite all this, he has retained the instincts of a layman. Never has the Supreme Pontiff ceased to be the son of his parents.

The Rattis have always been peasants. But in his bright check trousers and vest, Francesco Ratti rose from a workman to be an employer in the silk industry. If an illustrious son has insisted on veneration for the Virgin Mary, it is, perhaps, no wonder. Gracious, human and matronly, the wife of Francesco Ratti, born Teresa Galli, wears with dignity her ample silk dress with its trimmings of black lace, a woman worthy of the land of madonnas.

There is a little town called Desio, ten miles from Milan. Here there is a whitewashed house, where windows and their shutters look upon a quiet street, and here on May 31, 1857, was born the future Pope. He was one of four sons and there was also a daughter. One brother followed the silk industry at Lyons, another became a station master; Achille was the clever boy of the family, yet who of the neighbors imagined that the day would come when, wearing the papal tiara, this "lad o' pairts," represented by Alberto Dressler, the sculptor, in bronze in a monumental statue, would be seated forever in their midst, the pride of his unpretending birthplace?

Displaying zest for mathematics, the boy Achille interested an uncle, Don Rodolfo, provost and priest of Asso. With its granite quarries, its silk industry and its medieval tower, Asso lies in the Bellagio peninsula that divides Lake Como. Here it was that, with mountains on the horizon, young Achille, influenced by a saintly pastor, heard the call. Already wearing the spectacles that have become so familiar, we see him, with broad forehead, grave eye and sensitive mouth, a student for the priesthood.

At the seminary in Milan, he arrived with a few simple possessions and, laying aside his usual clothes, arrayed himself for the first time in the soutane. He noticed another youth vainly struggling with an unfamiliar collar. Achille Ratti helped him and Alessandro Lualdi became his firm friend. Together they went to the Lombard College in Rome, and at a gorgeous altar, on Dec. 21, 1879, Achille said his first mass. Little did he think that on its anniversary fifty years later, he would, as Pope, proceed for the first time from his "prison" in the Vatican, and at early dawn, bow his head in prayer within the marble splendors of St. John Lateran.

With Lualdi still his companion, Achille Ratti proceeded with post-graduate courses. Pope Leo XIII had recently founded the Angelico for the study of Thomistic philosophy and the first to win doctors' degrees in this college were Lualdi and Ratti. Often as he passes through the Clementine Hall of the Vatican must the Pope recall that day when he and Lualdi knelt alone as Leo XIII paused to impress on them the duty of promoting a sound philosophy in years to come. As Cardinal Archbishop of Palermo, Lualdi would vote one day for Ratti, as Cardinal Archbishop of Milan, to be made Pope.

Achille Ratti spent a few months in the village of Barni, but the Archbishop of Milan realized that for his "old young man," as he called the scholarly curate, there should be a larger sphere of activity. Although promotion was gratifying, it hardly pointed to the pontificate. In 1882 Achille Ratti became Professor of Sacred Eloquence and Theology at Milan and in 1888 he plunged, as it seemed, out of the world of affairs into the world of books. Until 1912 he labored in the Ambrosian Library at Milan.

He proceeded to Rome, there to be sub-prefect of the still more famous library of the Vatican. For thirty years he was known as a bibliophile, absorbed in manuscripts. There are seventy or more publications standing in his name.

The seclusion of the library was more apparent than real. As an ecclesiastic, Monsignor Ratti was a Roman Catholic; as a scholar and servant of scholarship, he was a citizen of the world. In particular, he came into contact with English culture. At Oxford he browsed in the Bodleian and, in 1914, he attended the seventh centennial of Roger Bacon, addressing the university in Latin on two Baconian manuscripts discovered in Rome. He visited his friend Bishop Casartelli in Manchester and said mass in Westminster Cathedral. At the Vatican, the prefect of the library under whom he served was the English Cardinal Gasquet of Downside College, Bath, reviser of the Vulgate and a scholar of high distinction. Here were contacts which, in due course, would prove to be of great importance.

In another direction, Achille Ratti prepared himself for a great opportunity. In becoming an ecclesiastic, he did not cease to be a business man. In the arrangement of his time, there has been the method which enabled his father to succeed with his silk mills. He received letters and answered them. Nothing was permitted to interfere with the regular discipline of his piety. He saw no reason why an ancient library, with its invaluable treasures, should not be as adequately catalogued as a modern library which distributes fiction. Why should men of learning, having traveled long distances at great expense, spend their time searching for references which ought to be immediately available? For his services to erudition at Milan, the King of Italy, despite the alienation between Church and State, bestowed on him the Order of Saints Maurice and Lazarus. In view of what came later, that also was significant.

The man of books refused to be a bookworm. His scholarship was humanized by service. For thirty years Achille taught the catechism to children in Milan, including the chimney-sweeps who annually come to the city from the Tyrol. Milan is the city of da Vinci's "Last Supper," and as director of the Cenacle, an organization of nuns, Monsignor Ratti, with his innumerable sermons and zealous organization, was beloved and respected for his obvious benevolence and sincerity. Dogma, tradition, research did not stand alone among Achille Ratti's interests. They were consecrated to a parochial purpose.

In quite another field, there are records of physical prowess. From his clerical environment, Ratti would escape at times and, as a mountaineer, assail the most perilous altitudes of the Alps. In 1889, he and another priest, Don Luigi Grasselli, devoted four days and three nights to the first ascent of Monte Rosa from Zumstein. Next year Ratti ascended Mont Blanc, descending to Chamonix by a new route which is now known by his name. The courage of the Alpinist is a virtue that all can understand and are bound to respect.

Accomplished in languages, Achille Ratti was considered, at times, as a possible Nuncio. But it was not until the upheavals of 1918 that he was brought to the forefront. Poland in resurrection had asked for an envoy and the Cardinals were unanimously in favor of sending an envoy. Yet they had no name to suggest. When somebody mentioned Ratti, Pope Benedict XV hesitated. Ratti was a man of admitted distinction but—asked a cautious Pontiff—how was he qualified by experience? The matter must be considered.

Suddenly, Ratti was informed that the mission to Poland was to be entrusted to him. He was as doubtful over the matter as Benedict XV had been, and, anxious to urge his limitations, asked for an audience with that Pope. "Well, and when do you start?"

were the first words of His Holiness; and the matter was decided. As a linguist, Ratti was acquainted both with Polish and with German. As a scholar, he mastered the voluminous dossiers dealing with Poland that had accumulated, and before leaving Rome he prepared a masterly memorandum on the situation that confronted him. That document confirmed the Pope's confidence. In going forth on his mission, Monsignor Ratti stopped for only a day or two at Milan in order to see his aged mother.

At the outset, the mission was a triumphant success. With the Bolshevists at the gates of Warsaw, the Apostolic Visitant remained in the city and, by his influence, contributed to stability. So manifest was his prestige that his appointment as Nuncio followed as a matter of course. If difficulties arose, it was because the Inter-Allied Commission called upon him to act as High Ecclesiastical Commissioner in Upper Silesia and, when he demurred, would accept no refusal. The duty of umpire is always delicate. In this case, the umpire had to combat nationalism in its most vehement mood. The Poles could only see one side of the case. Monsignor Ratti was there for the express purpose of seeing both sides.

During the war, Pope Benedict XV had to face a similar dilemma. Cardinal Mercier of Malines was strongly pro-ally. His Eminence of Cologne was no less vehement as a supporter of Germany. It was thus laid down by Benedict XV that the Papacy aims at a strict impartiality in international affairs and in seeking to uphold this impartiality, Monsignor Ratti, though exposed for the time being to criticism, was supported by the Vatican. Still, it was fortunate that, in 1921, he should have been removed to a less controversial sphere of duty. He was appointed Cardinal Archbishop of Milan, the city of Ambrose, which had so long been Ratti's home, and where his popularity was so great that he could do no wrong. When he set out for the Conclave, the Milanese were sure that he would exchange the red robe of a Cardinal for the white robe of a Pope.

In the world that confronts the Roman Catholic Church, science and criticism, claiming to be agencies of truth, have had it their own way. Dogma is denied. Tradition is interrupted. Worship is ignored. Men make merry over miracles and express a polite contempt for the clergy. To Pope Piux XI emancipation has been another name for apostasy, and to the "new Paganism" he has refused to yield so much as an inch of sacred territory. The world is, he says, a "terrifying spectacle." The restraints of wholesome custom are broken down. Marriages are dissolved and homes are shattered. There are wars and rumors of war. There are industrial and financial upheavals. Yet the situation may not have been wholly to the disadvantage of the church. She has always said that an era of reason must be an era of ruin; so it appears to be. When the Roman Empire was in dissolution, the Papacy arose amid the fragments and embodied certain essentials of an ordered and continuous civilization.

On the day of his election, therefore, Pope Pius XI changed the attitude of the Vatican. In warfare with a rebellious world, as he is bound to regard it, he took the offensive. Since 1870, when Italy captured Rome, the Popes as "prisoners" had limited their appearances to the faithful within St. Peter's. Pius XI stood forth on the outer balcony. "It is my desire," he announced to the Cardinals, "that my first benediction should be extended, as a pledge of that peace desired by humanity, not only to Rome, not only to Italy, but to the whole church and the entire world." The challenge was unmistakable.

At the outset of the twentieth century the world was five-sixths monarchist. Today it is three-quarters republican, and even so the monarchies include Great Britain with her com-

monwealth of nations. The Pope has had to recognize that, in his statecraft, he has to deal no longer with princes. He has to make himself understood by peoples. The new democracies may not be as anti-clerical as Russia. But they include, none the less, many millions of citizens who, associating the Papacy with autocratic dynasties, regard the church as a citadel of reaction. In many countries religious orders have been suppressed, education has been secularized, ecclesiastical property has been seized and the link between church and State has been broken.

Pius XI has recognized the new situation. He received King Alfonso of Spain and presented the Golden Rose to the Queen. But when Alfonso, in an astounding oration, promised that the armed forces of his tottering throne would be ready at any time to engage in a holy war for the church, and also hinted that Spain would be gratified to receive one or two Cardinals' hats, the Pope's reply was icy in its implied rebuke and no Cardinals' hats at that time were forthcoming. That the revolution in Spain was accompanied by incendiarism among monastic edifices, the expulsion of Cardinal Segura, Primate and Archbishop of Toledo, the suppression of the Jesuits and other measures, suggestive of Mexican precedents, is quite true. But in this as in other cases, the attitude of the Pope himself has suggested great restraint.

No longer able to depend on the establishment and endowment of religion, the Pope has had to face the fact that he must rely to an increasing extent upon the English-speaking communities where citizenship includes complete religious equality, entire freedom of worship for all churches and full recognition of the right of private judgment. The inauguration of the Irish Free State and the revision of the anti-Roman Accession Oath in Great Britain prepared the way for the historic audience in which the Pope received King George and Queen Mary on May 9, 1923. In innumerable ways the Pope has revealed his sense of the strategic importance of the English-speaking world. Honors have been paid to the memory of martyrs and missionaries. There have been Eucharistic Congresses, as in Chicago. There is the pledge that no future Pope shall be elected until time has been allowed for American Cardinals to reach Rome and record their votes.

But the application of a spiritual autocracy to democratic civilization involves a paradox. Amid an atmosphere of religious equality and tolerance of all beliefs or none Pope Pius XI has had to maintain the uncompromising attitude of Rome toward all other Christian churches. It is true that he has appealed both to the "schismatic" Christians of the Eastern communions and to the "heretical" Protestants of the West. But in both cases he has invited the "separated" believers obediently to enter the one fold and to submit to the guidance of the one shepherd. Unconditional acceptance of papal authority—this is the requirement.

It means that "reunion," as the term is usually understood, lies outside the range of useful discussion. In the conference of the churches at Stockholm, which dealt with Christian influence, the later conference at Lausanne, which considered the thornier problems of faith and order, and the Jerusalem conference on missions, the Vatican was represented if at all only by observers. The conversations at Malines between Cardinal Mercier and Anglican representatives, including Bishop Gore, were negative in result. When, moreover, the Anglo-Catholic leader, Viscount Halifax—father of Lord Irwin, ex-Viceroy of India—visited Rome, the Pope received him only in public audience at which no intimate conversation was possible.

The Pope has deprecated proselytism by Protestants and has emphasized strongly the enforcement of the rule that the children of mixed mar-

riages shall be brought up as Catholics. Over an organization like the Y. M. C. A. and over Rotary and similar clubs there has been expressed a note of unmistakable warning. The Italian genius which has contributed so largely to the structure of the Papacy is applying all its resources of sagacity to the task of keeping the New World in intimate touch with the Old.

In matters of belief, moreover, the Pope, like his predecessors, has been under the necessity of defending a long and exposed line of communication. The Protestant thinks, at any rate, that he can concentrate upon essentials. But in the Roman apologia there is no position, however inviting to attack and however unimportant in itself, from which defense can be withdrawn. Not one point of dogma or tradition can be cited on which Pius XI has wavered for an instant. On the contrary, he has added various unsuitable works, including all the works of Anatole France, to the *Index Librorum Prohibitorum* and ordered expiation on the centenary of Ernest Renan. When certain thieves, despoiling an altar in Rome, committed sacrilege on the Host, the Pope ordered a similar expiation in every church of the city. The Pope has not acceded, however, to the movement in favor of proclaiming the new dogma, known as "the personal corporeal presence of the Blessed Virgin Mary in Heaven." It may be added that he has condemned superstitions of pagan origin —the horseshoe over a door, for instance—and other ideas of "luck," including the prejudice against the number thirteen.

In defense of the home the Pope has been outspoken and uncompromising. Not only has he insisted upon modesty of dress for women but he has gone so far as to deprecate the pursuit of athletics by girls. In important encyclicals he has restated the claim of the church to supervise education, and her belief that marriage is indissoluble, that birth control is a sin and that discussions of sex may be a peril. In view of the severity of these views there has been, among Protestants, some allusion to the fact that marriages, while indissoluble, may be annulled or treated as non-existent. The reply of Rome is that, in any event, the number of such annulments is infinitesimal compared with the multitude of divorces.

To fight the good fight for a faith so assured as this of encountering opposition has required courage; and, broadly, it may be said that Pius XI, having studied the records of St. Charles Borromeo, the leader of the counter-reformation in Milan, has decided that prejudice, as he regards it, is best overcome by publicity. About the Grand Lama of Tibet, dwelling remote from the world where people live their lives, there may be the fascination of the unknown. The mystery of a cloistered Pope, gleaming with priceless gems, breathing fragrant incense amid the soft light of glowing candles and pouring forth a saddened soul in secret intercession for an unrepentant mankind, might have made an emotional appeal to countless millions. Deliberately Pius XI stood forth in the light of day. Even in prayer he is photographed. Over the radio installed by Marconi even the mass is broadcast. Every detail of the Supreme Pontiff's day, from the early morning when—so we are assured—he prefers to shave himself with a safety razor, to the late evening when he takes a favorite book with him to bed, is described in countless columns of newspapers throughout the world. It is a great experiment, and it is, definitely, a means to an end.

In Italy the Pope has been confronted not only by the House of Savoy but by fascism. The spiritual and the secular authority were occupying the same field and had to be either partners or rivals. The Catholic party, led by Don Sturzo, was suppressed by the Holy See. But the Pope protested in no uncertain terms against Mussolini's interesting theory

that if it had not been for absorption within the Rome of the Caesars Christianity would have remained an obscure Galilean sect. After much bargaining the now famous Concordat was signed, the King and Queen of Italy visited the Pope and finally Benito Mussolini himself, once radical among radicals, was received in a long private audience by the successor of the Chief Apostle.

The Vatican thus emerged once more as a Papal State. In size, the sovereignty includes only 108 acres, but in organization it is complete. A railway, with a special train, connects with the Italian railways. Airplanes can land. Vatican City has its own coinage, postoffice, telegraph, radio, police, army, courts of law, taxation and flag. Even the ancient artillery has received attention! Under Benedict XV the diplomatic service of the Papacy was greatly developed. That service includes contacts with about thirty countries, and there might arise the very interesting question whether Vatican City, as a political State, is entitled to a seat on the League of Nations.

The Vatican, including the Pope's rooms, has been supplied with a complete system of telephones. For the conduct of business there are typewriters, filing cabinets and all the equipment of an up-to-date office.

In 1870 the Pope, deprived of the revenues of his temporal possessions, refused an annuity from Italy. Under the recent treaty he has received $52,000,000 in bonds carrying 5 per cent interest and $39,000,000 in cash. Such money is not without its uses.

That the Papacy as an institution has been preserved is obvious. But the basis of that institution is the Roman Catholic Church itself. The progress of that church in the modern world, its relation to other churches and to peoples, and its ability to meet the questions naturally arising in reasonable minds, are factors which cannot be excluded from any speculation about the future. A missionary exhibition at the Vatican of impressive variety has emphasized the evangelistic crusade of the church in "heathen" lands, and the Pope has had to consider a problem which also perplexes Protestant communions. How far is it possible, here and now, to develop, let us say, in Africa or India an indigenous, as distinct from a Western, hierarchy and priesthood?

It is not true that, in the ordinary sense of the term, Pope Pius XI is a reactionary. If he has banned Anatole France, so also has he condemned Léon Daudet, *L'Action Française* and the violent royalists within the French Republic. It has been noticed at the Vatican that aristocratic visitors frequently enjoy the briefest of audiences. Some humble monk, on the other hand, who is engaged in the real work of religion may be closeted with the Pope far beyond his allotted time. While condemning communism, the Pope has spoken plainly and sensibly on questions of capital and labor. He stands for peace and desires disarmament. When the Genoa Conference was called he prayed for its success and in many ways he has sought to mitigate the excesses of nationalism which are troubling Europe. It will not be denied that his Pontificate has made a difference.

Soviet Recognition of the Intellectual

By LOUIS FISCHER
Author of "The Soviets in World Affairs"

WITH the suddenness which characterizes many Soviet events, the sun has commenced to shine on Russia's intelligentsia. A pronouncement by Stalin drove the clouds away. For the first time since the 1917 revolution the Bolsheviks are eagerly occupying themselves with the welfare of the engineer, the scientist, the teacher, the physician and the white-collar intellectual class generally. Out of a sky black with persecution of the mental workers has appeared a brightness which is improving their lot, safeguarding them from the suspicion of overzealous crusaders and granting them an enviable position of social equality.

Ever since the Communist rise to power fifteen years ago, the Russian brain-workers have been considered a class apart, a potentially or actively hostile class to be tolerated only because nothing could move without it, but to be watched carefully, frightened into submission and punished for every mistake or offense. A deep chasm of conflicting psychologies accounts, in considerable degree, for this strained relationship between Communist and intellectual. The Bolshevik is above all a man of action. Once his decision has been reached, once a course of procedure has been mapped out for him, no mental wavering deters him. Self-confident, extremist, positive in his beliefs, optimistic in his outlook, the Communist detests delay, adores speed, exults in his will and trusts in his ultimate success.

How different the typical Russian intellectual! The classic writers of Russian literature—Tolstoy, Chekhov, Goncharov, Turgenev and especially Dostoievsky—have pictured him as a man torn by doubt and paralyzed into passivity by a meticulous balancing of the scales of right and wrong. He can dispute into the small hours of the morning, as the brothers Karamazov did, about the existence of a deity and arrive at no decision. Raskolnikov in Dostoievsky's *Crime and Punishment* tortured his soul for days and weeks before he could make up his mind to kill the old woman for her money. Having finally mustered sufficient determination to commit the crime, he was able, however, to steal only a small part of her hoard. Even then, after many more mental trials, he surrendered himself to the police.

The Bolsheviks scorned the typical pre-revolutionary intellectual for his ineffectiveness, his vague idealism, his subjective, introverted approach to life and his extreme individualism. Between the rough-hewn, burly, crude-worded workers and the intelligentsia of delicate tastes and fine manners no bridge could have existed in pre-war days. Nor could the revolution easily have forged a bond. Politically, the majority of the intelligentsia leaned toward moderation and evolution. Highly cultured and widely read, they looked to the liberal West for inspiration. There were well-known exceptions: Lenin, Trotsky, Bukharin, Lunacharsky, Alexandra Kollontai, Zinoviev, Kamenev and a considerable group of lesser luminaries marched under the banner of bolshevism and became leaders of the proletariat. But nothing could make communism palatable to the majority of the intellectuals.

The professional class of Russia did

not side with the Communists when they seized power, nor aid the Soviets when they began to entrench themselves. For the most part the Bolshevik régime was regarded as a brief, distasteful interregnum; only those intellectuals who could not help themselves assisted the Soviet Government in its long struggle against the "White" counter-revolutionary armies and foreign interventionists. From 1917 to 1921, while the Bolsheviks strained every muscle to beat back the invader, the Russian intelligentsia sat still in scoffing neutrality or abetted the bourgeois enemies of communism. This opposition obviously did nothing to bridge the psychological and social gap between the two groups.

The fate of the Russian intellectual after peace came in 1921 was a sad one. He had lost his old world and could not fit into the new. He abhorred the methods and principles of the Bolsheviks and frequently detested himself for being forced by material want to become an intellectual mercenary of sovietism. Strange things happened. He who had always tended toward free thought took to religion as a balm and to anti-Semitism as a vent. Somewhere he had to pour out his passion, his yearning for the intangible, and that somewhere was naturally in an institution reviled and disliked by the Bolsheviks—the church.

Conditions grew worse as time went on. First came a struggle within the intelligentsia itself as its younger members were to some extent captured by the romance of the revolution and the possibility it offered of doing big things. Families were split up, for the new generation courted the new régime, while the old was apathetic or recalcitrant. An engineer assigned by the government to some great task of industrial reconstruction, however, soon appreciated the vision of the State, the broad scope and sweep of its actions. He began to understand and to sympathize with the Bolsheviks. He saw that Moscow, though semi-starved and pinched, was devoting every available ounce of energy to the elimination of adult illiteracy, to the introduction of compulsory universal education and to the spread of scientific knowledge. The teacher was impressed and, finding application for his enthusiasm, often shed his prejudices. The physician saw the advantages of nationalized medicine. He suffered from the shrinking of private practice but respected himself more, in true Russian intellectual fashion, because he no longer had to take fees from the individual for performing a professional duty.

If in this period—say, between 1922 and 1927—the Bolshevik régime had tried to win the sympathies of the intelligentsia, it might have achieved signal success. But apparently the Soviet Government made no concerted effort in this direction; on the contrary, the Kremlin pursued tactics calculated to alienate and embitter. The engineer on an important building project was not trusted and was subordinated to an inexperienced Communist. The bureaucratic maze handicapped the physician. A newly graduated teacher who professed Marxism displaced a veteran bourgeois scholar in the university. The youngster's advanced political ideas assured him a position he could never have attained with his limited knowledge and experience. More often than not these irritating practices were accompanied by the Bolsheviks' usual lack of tact. The revolution could not stop to consider the tender feelings of an intellectual.

Stalin's struggle against the Trotsky opposition dovetails with the troubles of the intelligentsia. Trotsky, Zinoviev, Kamenev, Rakovsky, Radek and others lost their influence in the Communist party for involved social and economic reasons, but it is no accident that their dismissal coincided with the aggrandizement of proletarian power in Soviet affairs. Year

by year the purely working-class character of the Communist party grew stronger until even Marxist intellectuals experienced considerable difficulty in obtaining a party ticket. Finely chiseled minds like Trotsky's and Bukharin's no longer appeal to the rank-and-file Communists. Stalin, direct, determined, with nerves of steel and an adamantine will, is much more the expression of the million factory workers in the Communist organization than Trotsky with his beautiful oratory, dramatic manner and finely spun theories.

The eclipse of the Trotsky faction in 1927 and its supersession by a group of leaders possessing much less foreign experience and culture than the old intellectual Bolsheviks probably had a marked effect on the status of the Russian intelligentsia. More even than before the needs of the factory worker became law, while the requirements and grumblings of the brain worker were ignored. In 1928, 1929 and 1930 the Bolsheviks were, moreover, obsessed by the fear of foreign invasion. They saw capitalist armies marching to their frontiers, drowning the nation in blood and striking at the roots of the Soviet system. This threat of outside aggression increased the antagonism between the Bolsheviks and the intellectuals, for the former suspected that at the moment of foreign invasion the intelligentsia would unite with the enemy. To cap the climax, the Five-Year Plan, inaugurated in 1928, produced many practical hardships. Vast capital investments for the construction of several hundred industrial units caused a shortage of food and clothes. While living conditions became worse, the population was asked to work more intensely for the fulfillment of the Five-Year Plan. "Why should we?" many asked themselves. "It is not our government. Sacrifices are demanded and at the same time harsh treatment is meted out to us."

The cumulative effect of all these circumstances was to make the intelligentsia bitterly and actively anti-Soviet, so that in 1929, when agrarian collectivization disaffected millions of peasants, the intellectuals believed that the Soviet Government was about to collapse. During the first three months of 1930 Stalin expected foreign military intervention. The atmosphere grew tense. Intellectuals and Bolsheviks acted nervously. Then—in December, 1930—came the famous trial of the eight Soviet engineers on three charges—economic sabotage, the organization of a secret political party and conspiracy with France to invade Russia with a view to overthrowing the Soviet régime. Six of the defendants were sentenced to death, the others to from two to ten years' imprisonment.

This much discussed prosecution of Professor Ramzin and his colleagues inaugurated a veritable reign of terror against the intelligentsia. Nobody regarded himself as beyond suspicion. Men and women lived in daily dread of arrest. Thousands were exiled to distant parts of the country. Evidence was not necessary—the title of engineer served as sufficient condemnation. The jails were filled. Factories languished from lack of technical leadership, and the chiefs of the Supreme Economic Council began to complain that, by its wholesale arrests of engineers, the G. P. U. (the political police) was interfering with industrial progress.

Surely 1930 was the blackest year for the intelligentsia under the Soviet régime. But 1931 brought a sharp change for the better. Apparently, conditions had to become as bad as possible before they could begin to improve. Today Russia's educated class is coming into its own. It breathes more freely. The new policy was announced by Stalin in his historic speech on June 23, 1931, and is the Magna Charta, so to speak, of the Soviet intelligentsia. Previously the orthodox Bolshevik, or at least the

ordinary worker, might have imagined that the intellectual was a nuisance of which he would sooner or later be relieved. But Stalin declared that "no ruling class has yet managed to get along without its own intellectuals. The problem is not to discourage these comrades."

Even the old bourgeois specialists inherited by bolshevism from the Czarist régime, Stalin insisted, must receive better treatment. The Bolsheviks must pursue a policy of "attracting it [the intelligentsia] to us, and of concerning ourselves with its welfare." There would be no more persecution of engineers. " 'Specialist-baiting' has always been considered and continues to be a harmful and shameful manifestation," Stalin asserted emphatically. His words were soon translated into law. A government decree published on Aug. 1, 1931, made engineers and technical personnel the equals of factory workers in all material respects. They were accorded the same food and clothing rations and the same privileges in obtaining new apartments, as well as places in Soviet sanatoria and rest homes. Their income taxes were to be reduced. An extra room for study at home would be granted to each engineer. And, above all, the children of the technical intelligentsia were permitted to be enrolled in schools on equal terms with the children of industrial proletarians.

The Soviet intellectuals hailed this decree as epoch-making, for it not only yielded vast material advantages but made them the equal of the workers who constitute the aristocracy of the Soviet Union. The acceptance by the Bolsheviks of such a principle must have far-reaching social consequences. It is a guarantee that the changes in the position of the educated classes are neither transitory nor accidental.

Such a reversal of Soviet policy seemed to Bolshevik leaders to require a reshuffling in the personnel of the G. P. U., whose net has often caught many innocent engineers with those who were guilty. The real master in the G. P. U., it is said, is now Akulov, a newcomer in its ranks. A Bolshevik of the old iron guard, he is very conscious of the needs of a growing industry and too good a Communist ever to permit his organization to become an exclusive clique rather than a disciplined arm of the Soviet State. Other shifts in the higher ranks of the G. P. U. include the demotion or dismissal of those who are regarded as responsible for the wholesale arrests of engineers during the past year.

A marked improvement in the lot of Russia's intelligentsia immediately followed. Large numbers of engineers were released from jail or recalled from exile, and today few, if any, are being arrested. The concrete benefits promised by the decree of last August are being dispensed with a dispatch that is rare in Russia. The press is merciless in howling down any bureaucrat who dares to deprive an engineer of even a small fraction of his new rights. Non-Communist physicians and technical men have been promoted to the highest positions of trust. Many engineers are being awarded the Order of Lenin and other Soviet distinctions. Clubs and museums for scientists are being organized. The wages of teachers have been raised, and the schools are already attracting persons who formerly sought more remunerative employment. Where previously the intellectual hesitated before lifting his voice in complaint, he has now been endowed with new courage, and every government office lends him an attentive ear.

Nikolai Krylenko, Commissar of Justice, in a recent speech endorsed the principle of equality between factory workers and engineers and told of a case in which he had dismissed and then arrested a provincial prosecuting attorney for taking legal action against several engineers without suf-

ficient incriminating evidence. Certain Russians have always regarded Krylenko as their inquisitor. At the Shakhti trial, in 1928, and at the more recent Ramzin trial Krylenko had made a point of denoting by word and grimace his contempt for the accused engineers and the intellectual world in which they lived. He had offered them no mercy and no quarter. In demanding death sentences he had talked as if the accused were so much vermin that had to be exterminated. And now he, the symbol of "specialist-baiting," advocates an improved status for Soviet specialists.

Even more noteworthy was a recent article in the official Moscow journal, *Izvestia*, by Arnold Soltz, a member of the pivotal Central Control Committee and one of the leading legal minds of the Soviet Union. "We are not accustomed to value the human being sufficiently," Soltz complains, pointing out that to withdraw men from important posts in industry and the civil service by arresting and sentencing them without adequate justification has caused the State tremendous loss. He condemned the practice, and thereby implied a criticism of the authorities who have deprived Soviet institutions of thousands of indispensable employes by thrusting them into prison. The fact that Soltz's strictures appeared at this juncture and in a government newspaper is of significance.

These criticisms, confessions, decrees and speeches and the reshuffling of staffs reflect an improvement in the internal and the international situation of the Soviet Government. Greater freedom to engineers could never have been granted and the G. P. U. would never have been reorganized if the political atmosphere had remained as tense as it was in 1930. Every one in Russia is today conscious of a definite and welcome relaxation. But the intelligentsia's rising respect for the Bolsheviks is an important contributing factor. The intellectuals were startled when the State overcame numerous very serious economic difficulties which seemed to them to threaten the régime with disaster. They were surprised and impressed when events demonstrated the practicability of the Five-Year Plan.

The tremendous construction activity now proceeding in the Soviet Union has produced a further change. The Russian engineer was usually an office fixture who drafted schemes for lesser people to carry out. He was an intellectual, pure and simple. Foreign experts are lavish in their praise of Russian technical plans, but maintain, with justice, that the Russian engineer is weak in execution. The demands of Soviet industrialization, however, are sending the engineer out into the factory and the coalfield, where he comes into contact with workers. Sometimes the knowledge resulting from this closer touch is not conducive to friendship. But more often it results in mutual understanding and appreciation, and bonds are created between the laboring and the intellectual class. The intellectual begins to realize that the proletarian is not an ignorant good-for-nothing whose specialties are vodka and vile oaths, and the worker sees that the engineer is his associate who has as difficult a task as his own, is just as ready to make sacrifices for the State, and therefore deserves better treatment than he has enjoyed since the Bolshevik revolution.

The gap between the two groups is narrowed still further by the new intellectuals whom the universities are now graduating in thousands. Many of them have been workers, and very often are imbued with Soviet ideas. Scores of schools are turning them out in double-quick time, and soon this post-revolutionary vintage will outnumber the pre-war old guard. The Bolsheviks trust that all these developments will ultimately heal the breach between manual and mental labor.

The Fate of a Gamblers' Civilization

By NORMAN THOMAS

[The publication in April CURRENT HISTORY of Professor Thomas Nixon Carver's article, entitled "Capitalism Survives," has evoked the following reply from Norman Thomas, who is the recognized leader of the Socialist movement in America and who expresses a point of view which, in one form or another, is being constantly put forward in the discussion of our present economic difficulties. His opinions, while the most keenly disputed of all, may be regarded as authoritatively representing the attitude of those who believe in the need for much more drastic changes than are thought necessary by Professor Carver. Mr. Thomas, a graduate of Princeton University and of Union Theological Seminary, after serving for several years as a Presbyterian minister, in 1922 became director of the League for Industrial Democracy. In the Presidential campaign of 1928 he was the candidate of the Socialist party. In a volume entitled *As I See It* (New York: The Macmillan Company. $2), which has just been published, Mr. Thomas enlarges upon various aspects of his social and economic philosophy.]

THERE is always something a little arbitrary about the dates which divide historical epochs. On the morning after the particular one of Rome's falls which generations of school children have been taught was *the* fall of Rome I suspect that the survivors woke up and said: "Well, I see Tammany has won again." It was the historians who gave the date its great significance.

By the same token I do not think that any of us can anticipate the verdict of history and name the precise date which for convenience will be taken as marking the fall of capitalism. It is not the purpose of this article to prophesy how and when we shall crawl out of the depth of the present depression. Indeed, we may have a considerable recovery of industrial activity in America without genuine prosperity and certainly without any return of the gamblers' paradise which passed for prosperity in the early part of 1929. Some degree of recovery before another crisis in another seven years is cold comfort for those who want to believe in the durability of our present capitalism. The doom of capitalism is certain even if, as in Germany, it has shown a tenacity of life, or at least of existence, like the proverbial cat's.

The possibilities of the next generation include drift to sheer and overwhelming disaster, fascism, socialism or communism. They do not include the survival of our present chaotic capitalism in which mergers grow apace while men still talk the language of individualism. Fascism is economically a form of capitalism and the only form which offers capitalism contemporary hope of survival. The survival will not be long even in this last phase of capitalism.

Why am I so certain that capitalism is doomed? For very definite reasons which can be categorically set forth. These reasons, it will be observed, are not wholly economic in the narrow sense of the word. They have to do also with the psychological and political situation which accompanies capitalism in our present world. The sickness of the acquisitive society lies partly in the paralysis that it imposes on the intelligence and the will even of its beneficiaries in the hour of emergency.

I. Capitalism is doomed because obviously, whatever may have been its historical function, it is today unable to control our immense mechanical equipment for security rather than insecurity, for plenty rather than poverty, for life rather than death. A great deal of ink and many words have been wasted on the familiar argument that with all its faults we have in the aggregate under capitalism more things than any generation. Thus, I once heard a speaker tell how many more baths the average American worker could take than Henry VIII. All this is ludicrously beside the point. What the workers have a right to demand of the machine age is not that it will give them more bathrooms than Henry VIII had for his troublous domestic establishment; they have a right to ask that machinery will conquer poverty rather than increase insecurity. A generation which lacks the tools to conquer poverty cannot be charged with the crime that rests upon our heads who have the machinery and resources once and for all to abolish the dark kingdom of poverty. Not only have we not abolished poverty but we have actually increased insecurity. In simpler times a farmer or an artisan might be poor, but he did not have to fear the deadline of 40 to 45. He did not know the meaning of cyclical and technological unemployment. He was sure as a matter of right and not of charity of some place in the scheme of things and in the social order. It is this that the machine age denies him under capitalist control.

The present failure of capitalism to supply reasonable economic security is more disastrous to it than previous failures, partly because these failures are cumulative in effect and in the light of the Russian experience seem increasingly unnecessary to their victims, and partly because this present depression follows so closely upon an era of wild boasting about everlasting prosperity. The business leaders and their political allies who talked loudest about the conquest of poverty now seem most impotent. They discover reasons for our plight which may be sound, at least in part, but which they never told us about in 1928 when the Hoover ideal was a chicken in every pot and two cars in every garage and when John J. Raskob, who still holds the first mortgage on the Democratic party, discoursed on the crime of poverty in the *Ladies' Home Journal.*

Never were what Socialists have been accustomed to call the inherent contradictions of capitalism so apparent as they are today. No one has given us the slightest reason in theory, to say nothing of practice, to expect our chaotic capitalism to conquer unemployment, and it has proved itself neither willing nor capable of effective relief for the army of 10,000,000 unemployed and their dependents.

Take, for example, the matter of technological unemployment. It is all very well to say that in the long run, even under capitalism, new machinery makes it possible to have more things with less hours of toil and that therefore it makes for more jobs. But men and women and children eat not in the long run but in the short run. In the short run, especially during great spurts of mechanical energy, the underdog has always paid for these improvements of which we boast. Only in times of a rapidly expanding market, for instance, for automobiles, can labor-saving machinery be put in without reducing the working force. Ordinarily a great corporation only installs machinery to reduce its payroll. The rate of introduction of machines is controlled by the hope for profit. Technological unemployment can only be cured when the rate of introduction of machinery is controlled by a conscious purpose either of absorbing displaced workers in new industries, or shortening the working week, or both, and that requires social ownership and planning. Nothing else will ever abolish cyclical unemployment.

I am increasingly persuaded that the present depression is no ordinary

manifestation of the business cycle or of the periodic underconsumption which inevitably characterizes a capitalism motivated by a wild desire for profit in which consumers in the aggregate cannot buy back the equivalent of what as workers they produce. This depression is aggravated by the effects of growing technological unemployment, by war and its aftermath, and in particular, by the crazy policy of seeking prosperity through piling up debts to which Lawrence Dennis has recently so brilliantly called our attention. But both the basic cause of the depression and its aggravating features are inherent in capitalism, which could not possibly apply the remedies Mr. Dennis and others propose and remain psychologically or even economically itself. I grant that theoretically and to some extent practically a Fascist type of capitalism might bring about a certain degree of stabilization and economic security. It cannot, however, solve our fundamental problem because it will keep the profit motive and accentuate nationalism. Besides, many of the academic defenders of capitalism, like Professor Carver of Harvard, defend it in terms quite incompatible with fascism.

II. Capitalism is doomed because of its well-nigh complete lack of standards and sanctions, intellectual or ethical. Any social order may run on for a good while simply by momentum along habitual lines. The world can stand a great deal of inconsistency. But never yet has any civilization endured with no philosophy but a superficial pragmatism. Indeed, our capitalism has already come to a point where it cannot be justified by a superficial pragmatism because it does *not* work. Men do need a social philosophy, and this our generation lacks. If a cosmic jester presides over our affairs he perpetrated one of his choicest jests when he forced Herbert Hoover, preacher of rugged individualism, to practice the exact opposite and to associate his name with a series of measures from high tariffs to farm relief and bankers' relief which, whether wise or unwise, are all in direct denial of any logical principle of economic individualism. President Hoover, however, does not stand alone in preaching one thing and practicing its opposite.

The defense of capitalism is in terms of an individualism or an assumed power of voluntary choice which is increasingly denied by the facts. Professor Means has shown that 200 corporations control 48 per cent of the business wealth of the country. These corporations are controlled in turn by less than 2,000 directors, most of whom do not direct. The control over financial capital is highly centralized in Wall Street. This is collectivism with a vengeance. That it is also a stupid and chaotic collectivism does not alter the fact. It is quite true that our monopolists or near-monopolists cannot use their power even for their own good, much less society's, in this stage of capitalism. Nevertheless, what we have is collectivism, and the debate between socialism and capitalism is not a debate of collectivism versus individualism. It concerns the quality and kind and purpose of collectivism.

Capitalism's lack of intellectual and ethical sanction is more appallingly evident when we consider the divorce between ownership and responsibility. Once a captain of industry at least had to have a certain shrewdness to retain what he had acquired. All that an absentee owner needs is to be reasonably lucky in picking his stocks. Once it was possible to argue that there was some correspondence between the deed and the reward. Today it would be impossible to match the list of great fortunes in America with any substantial achievement of their possessors. In the field of work as distinguished from business they are at best successful manipulators wholly dependent on engineers and executives whom they hire for any constructive achieve-

ments. The few exceptions to this generalization only prove the rule.

We have gone so far in making success measured in terms of money our God, that we have no moral standards to which to appeal in our warfare against the underworld. Illegal racketeering flourishes because the racketeers themselves and the public see little or no moral difference between illegal racketeering and the legitimatized racketeering of bankers which Mr. Dennis discusses so caustically in his book, *Is Capitalism Doomed?* I remember a curious experience of my own which illustrates my point. Once I was waiting in the office of a local Justice Shallow, who presided over the peace, in company with a philosophical policeman who somewhat unwillingly had arrested me in a case involving the right of striking workers to organize and to meet peacefully. Thus my friend the policeman moralized: "Mr. Thomas, what you was doing was moral, all right. I don't know whether it was legal. Some things is moral that ain't legal and some things is legal that ain't moral, and what's a poor cop going to do about it?" Capitalism is dangerously poisoned by the extension of this doubt throughout society.

III. Capitalism is doomed because it either is compelled to accept war as a way out of its economic difficulties or is impotent to avoid it. There was a time not so long ago when it looked as if international capitalism might make for international peace, however much it might accentuate class war. That time is past. Capitalism still has its international manifestations, many of which have become exceedingly unpopular among the masses. In general, however, capitalism has chosen the road of nationalism. So enlightened a defender of a largely impossible capitalism as Mr. Dennis very markedly shows this tendency. Less brilliant men show it in their choice of high tariffs all over the world. They show it in their acceptance of great armaments. They show it in their marked tendency to try to save themselves by fascism.

I use the word "fascism" rather broadly to cover that phase of capitalism in which we have an immense organization of capitalist trade associations or syndicates rigorously regulated by the State which still keeps, however, the concept of private property in the means of production and the institutions of profit, rent and interest. The Swope plan clearly points to an American fascism. Now such a fascism, whether Mr. Swope intends it or not, to be made palatable to the workers must give them the very heady wine of nationalism which Mussolini has used effectively in Italy and which Hitler uses in an even more dangerous way in Germany. That is to say, fourteen years after the end of a war which revealed the hideous dangers of rampant nationalism, capitalism is in closer alliance than ever before with nationalism. How else can one explain the triumph of the National Government in the last British election?

Nor is this all. The very depth of this depression steadily weakens men's resistance to war. Farmers and workers all over the world remember that in wartime those who were not in the trenches were pretty well off. It is better to fight a visible human enemy than to fight poverty. Indeed, it is only war with its immense inflations of demand and of credit which from a capitalist point of view offers an easy way out to a system broken under the pile of debts it has heaped up. I have said "only war." Perhaps that is an exaggeration. Mr. Dennis may be right theoretically in saying that a sufficiently heavy confiscation of the property and the property claims of an owning class by taxation could save capitalism, at least for a time. I have my doubts even on purely economic grounds and I am certain, as I suspect Mr. Dennis is, that psychologically American capitalism will never accept the degree of taxation he proposes. It does not follow that it

will be candid enough consciously to seek a new large-scale war. It will seek those policies and adopt those attitudes which lead to such war even if at the last minute the more enlightened of our capitalists shrink with horror from the abyss to which their own policies and the more forthright imperialism of their military allies sweep them on.

There are, therefore, the four possibilities before us which I have already mentioned:

1. Sheer catastrophe under the heaped-up pressure of burdens and strains under which our capitalist nationalism already totters. Pure drift is drift to such disaster, probably in the form of new world war, the possibilities of which for destruction of men and women and all they hold dear can scarcely be exaggerated.
2. A fascism which can only postpone catastrophe, a kind of Indian Summer of capitalism which the rise of an American Mussolini with the aid of certain industrialists might bring to pass in our country.
3. Communism, which by its own creed can come only out of catastrophe and which logically will require the most rigorous dictatorship to put into effect.
4. Socialism, which believes that there is still time to improve and extend rather than scrap democracy, and to make itself an alternative to, rather than a consequence of, world catastrophe. This cannot happen without a tremendous effort by organized workers with hand and brain who in America are only beginning to awake. It is nevertheless the one hope of a world which wants to escape a generation if not a century of disaster.

This analysis is, I think, a conclusive answer to Professor Carver's dogmatic assertion "Capitalism Survives" in the April issue of CURRENT HISTORY. Professor Carver assumes that we still have time to choose between a system of voluntary agreement among free citizens and some form of collectivism. He also assumes that the choice can only be between "one economic system [which] is carried on by contract and the other by authority." He is wrong at both points. Our present economic system in America is scarcely being carried on at all. It is drifting on and the element of genuine voluntary agreement is far smaller than he thinks. Unemployed workers or workers who accept almost any working conditions in order to keep work, coal miners groaning under a system which embodies the worst features of capitalism and feudalism, farmers crushed by a weight of debt, are in no real sense economically free agents. It cannot even be said of great masses of men in America that they can be sure of legal justice.

On the other hand, even in Russia with all its elements of coercion, it is not true that the economic system is a system of command and punishment buttressed by the psychology of the army. It is a system in which the free support of the workers for their own advantage is increasingly being won. It is a system which rewards men not only by honor but even by some difference in material remuneration, and it is a system which has pretty successfully got rid of unemployment. It is quite true that previous conditions in Russia and its industrial backwardness have made elements of coercion very important in its development. It is also true that these same elements of coercion raise great problems for the future. They will not, however, indefinitely keep a hungry world in the midst of potential plenty from trying the Communist road unless a better road can be found. It is academic nonsense to claim that there is any chance of finding it by the voluntary agreements of an already defunct earlier stage of individualistic capitalism.

Professor Carver's rather shopworn refutation of the Marxian theory of the concentration of wealth and the increase of misery takes insufficient account of the present situation and

is beside the point. China which heretofore has lacked machinery may be poorer than the United States which has it. That means very little to 10,000,000 unemployed workers. It is no argument at all against the collective ownership and management for use and not profit of those resources and that machinery which make great wealth possible.

In a dark and troubled world there is this element of hope—not only the experience of Russia but our observation of what is going on round about us shows that men will work under other motives than hope of profit or fear of punishment. They will work because of the natural and ethical insistence that every able-bodied person must work if he would eat. The most important men in our society—artists, scientists, even engineers—will work for the joy of self-expression and constructive achievement. Their work ought to find a more secure material reward than capitalism affords them. Men will work, moreover, as they always have worked because mutual aid is a factor in human evolution and in human life. On these incentives at a time when capitalism is breaking down we can build.

The amazing patience of the workers and their fear of precipitating civil war, phenomena which so far have checked the growth of communism in over-ripe capitalist countries like Germany, Great Britain and the United States, may offer us time to carry on the struggle for a classless society by methods which avoid the wholesale catastrophe which communism accepts as inevitable. This is the hope of socialism, a hope which I have not space to discuss, but which I want to leave with the reader who cannot escape the conviction that the sands in the hour-glass are running very low for that curious gamblers' civilization into which American capitalism has developed.

The American Writer Loses Faith

By V. F. CALVERTON
Editor of The Modern Quarterly

NO literature has revealed such sharp and striking change in spirit as American literature in the last hundred years. Almost every American critic of importance in our day has endeavored to explain the origin and nature of that change. The latest attempt has been made by Ludwig Lewisohn who, in his new book, *Expression in America* (New York: Harper & Brothers, 1932. $4) accounts for it mainly in terms of our successful revolt against the dominance of Puritanism. Whatever the cause, one thing is obvious and that is that American literature has swung from one extreme to another, from an ardent belief in the individual to a fatalistic worship of forces, from the sunrise of optimism to the darkness of despair. A literature saturated in romanticism throughout most of the nineteenth century has become one of the most realistic. The most moral literature in the world in the nineteenth century, surpassing even Victorian literature in its ethical condescension, it has become one of the most unmoral in the world, exploring every extreme of impulse and perversion in its psychological sweep.

There are two ways of interpreting this literary revolution; one, that it is, as Ludwig Lewisohn contends in his new volume, the product of the creative intelligence of American men of letters, the result of their revolt against "the moral quality of American life"; or secondly, that it is the product of a change in social life which in turn has revolutionized the outlook of American men of letters.

Mr. Lewisohn is certain that significant changes in literature are determined by inner forces rather than outer, and that it is that "inner fact * * * of individual consciousness" on the part of the "essential poet" which releases a literature and a people from the spiritual bondage of the material world. The "essential poet," in Mr. Lewisohn's opinion, is untrammeled by the realities of space and time. He pierces beneath them, to their secret core, as it were, and transmutes his individual experience into the universal substance of the spirit. Mr. Lewisohn, as he states in his introduction, is very much of a Freudian, and in his stress upon spirit he is undoubtedly driving close to the Freudian theory of the immutable instincts. At all events, he is unalterably convinced that it is the "essential poet," living in the spaceless world of the spirit, who helps "us across ages and across revolutions in morals, religions, economic systems."

The error in Mr. Lewisohn's hypothesis lies in the fact that examinations of those "essential poets" who possess what he describes as "the true marks of the creative spirit" have revealed always the opposite of what he contends. They invariably have been found to be as much a product of the age in which they have lived, subject to the same time and space limitations of the period, as have the lesser poets of the time. They have differed from the latter primarily in their greater artistic gift and genius. While we should give full credit to their artistic genius, we are forced to admit that we cannot explain its origin or content except in terms of

its historical appearance, or account for its direction save in terms of the social forces active at the time. Consequently, if Mr. Lewisohn's approach is followed, it becomes impossible for us to understand the historical development of a literature. While Mr. Lewisohn by virtue of an exquisite style may make it possible for us to re-experience the purely esthetic elements in a literature, he cannot by means of his interpretation bring us at all close to an understanding of its historical roots. Although effective as an esthetic evaluation, *Expression in America* leaves the historical problems of American literature unsolved.

To explain a change such as has occurred in the character of American literature in the last hundred years necessitates a social approach rather than an esthetic one. The rise of American realism provides the first clue as to the nature of the relationship between literary output and social change. Realism, a late growth in American literature, appeared first in the West; even there it developed only when the conditions of life provoked its appearance.

Edward Eggleston, who is usually accredited with having inaugurated the realistic movement in American literature, was a Westerner, a native of Indiana. In his books, *The Hoosier Schoolmaster* and *The Hoosier Schoolboy*, he began that portrayal of the West which was to reveal, in frank forthright terms, the change that had come over it after the Civil War and which was to be described in even more brutal detail by the realists who followed him—Hamlin Garland, E. W. Howe, Frank Norris, Theodore Dreiser and Sinclair Lewis. Before Eggleston, the West had expressed itself in the expanding form of the comic tradition. It was the spirit of Davy Crockett and Mike Fink which predominated there in those days. A trace of the impact of the old West American humor, reaching its highest achievement in Mark Twain, arose and swept over the nation. Eggleston's fiction marked the beginning of the end of that tradition, and at the same time the beginning of the rise of the new tradition which was to follow.

Already the West, which had promised utopia to the pioneers of the earlier days, was beginning to close in upon itself, and before the end of the century the privation and desolation which ensued was to find literary embodiment in the early novels of William Dean Howells, *Annie Kilburn, A Hazard of New Fortunes, The Quality of Mercy* and *The World of Chance,* and in the novels of Frank Norris, particularly *The Octopus* and *The Pit.* Norris, to be sure, carried the realistic tradition much further than Howells, and in his picture of the West revealed more of the nature of the forces at work in the frontier environment than had his predecessor.

In the next decade Theodore Dreiser, especially in his autobiographical works, was to further that tendency. Dreiser, like Mark Twain, had started forth with the optimism characteristic of the spirit of the early frontier. In later years, describing his youthful reaction to his native environment, he declared that "to me it seemed that all the spirit of rural America, its idealism, its dreams, the passion of a Brown, the courage and patience of a Lincoln, the dreams and courage of a Lee or a Jackson were all here." But Pittsburgh put an end to all that. Pittsburgh, where Dreiser saw the blast furnaces, and witnessed men like human ingots lost in the molten process of making steel, came to stand for him as a symbol of industrialism in action. "The very soil," he wrote, alluding again to the Western country, "smacked of American idealism and faith, a fixedness in sentimental and purely imaginative American tradition in which I, alas, could not share—I had seen Pittsburgh." What Dreiser realized, and what has been manifest in all his fiction, was that industry has become stronger than

the individual, that forces have become stronger than men, that things have become stronger than wills.

The work of Sherwood Anderson has been dominated by something of the same philosophy. Beginning with his first novel, *Windy McPherson's Son,* and extending to his recent book, *Hello Towns,* Anderson has continued to deal with the same theme which has occupied the attention of the Western realists—namely, the change which has come over the West with the coming of industrialism.

In the satiric novels of Sinclair Lewis, especially in *Main Street* and *Babbitt*, that realism has made its greatest advance. Lewis, in fact, has written the saga of the changing West, revealing in satiric form what has happened to the former frontier regions once populated by pioneer types fresh with inexhaustible energy and optimism.

American realism, then, sprang up out of the changed conditions of life in the West, which robbed the romantic approach of its strength of appeal. The romantic enthusiasm of Emerson and Whitman, who looked upon the West as a haven for democracy, the place where, for the first time in their lives, as Emerson stressed, "men in their shirt-sleeves were constructing a civilization"—that West disappeared and was superseded by a West devoid of free land, mortgaged to Eastern financiers, and exploited by the railroads, a West which could inspire E. W. Howe to write his *Story of a Country Town* and Sinclair Lewis to write *Main Street,* but which could not restore the earlier optimism of the young Mark Twain. Influenced by that same change, the great humorist who had written *Tom Sawyer* developed into one of the most incorrigible pessimists of his time, and in *The Mysterious Stranger* and *What Is Man?* forsook his last hope of the human race.

But the transformation of the West from a place of hope to one of despair paralleled a similar development in the East. While industry abetted the growth of the city at the expense of the country, it also tended to foster the interests of the big business man at the sacrifice of the interests of the small business man. As a result urban life in America in the twentieth century created a situation in which the small entrepreneur, the individual business man, found himself caught in a corner from which there was no escape. It was not until the close of the last century and the beginning of this, when the large corporations, trusts and monopolies came into being, that American literature as a whole became affected by the impact of that change. The first evidence of response to it was found in the work of the muckrackers, Lincoln Steffens, Ray Stannard Baker, Ida Tarbell, David Graham Phillips and Upton Sinclair.

In Sinclair's novel, *The Jungle,* that movement reached its literary focus. The centralizing power of big business was destroying the isolated power of the individual. Caught between the imminent pressure of big business, on the one hand, and its corollary, mass production, on the other, the individual who in the early nineteenth century had room for advance and expansion found himself in the twentieth century robbed of that power. Practically every American magazine of the time became concerned with the catastrophic consequences of that social contradiction. Frederick C. Howe, in an article in *Scribner's* (January, 1907), revealed the growing temper of the period when he observed that "more recently a reaction has come over us; * * * a note of depression, of pessimism [is] in our talk. * * * From a condition of childish belief in the talisman of democracy we have passed in a few years' time to a state of mind bordering upon despondency before the colossal lust that confronts us. A very large number of people see only fail-

ure in our institutions. They are oppressed by the apparent impotence of popular government to find a way out."

The pessimism and the failure to which Howe referred were derivative from the new conditions of life which the corporations and the trusts had created. They signified the early realization of the failure of the American traditions of individualism, liberty and democracy. As the twentieth century advanced, that realization deepened, with the result that American literature as a whole, in the East as well as in the West, assumed a pessimistic, futile outlook in entire contrast to the optimistic eagerness of the nineteenth century.

In the nineteenth century the West represented, as Carlyle described it, the great "Door of Hope" to the suppressed masses of the world. The presence of free land, the seemingly inexhaustible areas of fertile territory which lay before the individual pioneer, inviting exploitation, filled him with an abounding faith in the future. Almost every writer in the East was affected by that promise. Not only Emerson and Whitman responded to it, as we have noted, but Melville, Whittier, Longfellow and even Lowell reacted to it with uncommon enthusiasm. In the West, to be sure, Bret Harte, Mark Twain and Joaquin Miller grew up in native response to it. Even in the cities the possibilities of the individual in the nineteenth century were promising enough to inspire hope on the part of the masses, and American authors, absorbing that hope, translated it into their works. Nowhere, except in the dismal but exquisite romances of Poe, which were derivative from the German romantic tradition of the time and not indigenous in their inspiration, and in Melville's romances of the South Seas, was a pessimistic note to be heard. Whittier, notwithstanding his Abolitionist fervor and his denunciations of a state which would tolerate slavery, remained an optimist to the end. Emerson, Whittier, Lowell, Longfellow, Holmes, Aldrich, Higginson, Stedman—all were incorrigible optimists. Then came the changes which I have noted. Since that time American literature has deserted its romantic tradition and developed a realistic tone, forsaken its optimistic note and adopted a pessimistic one.

In politics this change reflected itself in the loss of national power on the part of the individual farmer and the small business man and the acquisition of national power on the part of the corporations and the big business man. With the defeat of the Populist movement in the nineties the cause of the individual farmer went down in final defeat. A vast change, in other words, had occurred in the history of the nation, between the time when Andrew Jackson in 1828 was elected President of the United States, as representative of the agrarian interests of the frontier population, and the defeat of the Populist candidate in the election of 1892. The defeat of Bryan in the next election was but further confirmation of the impotency of the agrarian interests before the growing strength of the industrial.

While the election of Wilson in 1912 represented a victory for the small business man of the cities, at best it was a Pyrrhic victory. The program which Wilson had adopted in opposition to the interests of big business became more and more futile as the party he represented came to be dominated by the same interests which he had opposed. After Wilson, little was left of the strength which had managed, owing mainly to the split in the Republican party at the time, to carry him into office. Only the despair that follows successive defeats remained.

American writers, as we have pointed out, anticipated that change long before it occurred. In advance of economic and political thinkers in that respect they realized, instinctively if not rationally, what had happened to

America. And so their work took on an aspect of gloom which their nineteenth-century predecessors would have scorned. In the novel, the pessimistic realism of Dreiser has been succeeded by the so-called "hard boiled" cynicism of Ernest Hemingway and Morley Callaghan. In criticism, the cynical outlook of Mr. Mencken came to dominate the twenties. In fact, in every field of literature that pessimism, verging often upon cynicism, reigned. It has been as conspicuous in American poetry as in American fiction and drama. Edwin Arlington Robinson, for example, who is often called the dean of American poets, has expressed in his verse the same mood of disillusion and despair as has Theodore Dreiser in his prose. Robinson's Tilbury folk are a sad, desolate, barren lot, without the inspiration of hope or dream. Even Robinson's version of the Arthurian legends ends upon a note of despair.

The poets who have risen to prominence in more recent years have not dissipated that disillusion and despair. Instead, ranging from Masters to Jeffers, they have lent it a thicker and darker hue. Edgar Lee Masters and Carl Sandburg, for example, have let little of the sun into their works. The optimism and faith of the nineteenth century poets—Bryant, Longfellow, Whittier, Whitman, Lowell, Holmes—are almost alien to them. Sandburg and Masters have been overwhelmed by the spiritual darkness that has come upon America, crucified by the consequences of industrialism, and swept under by the new tide of materialistic impulse. *The Spoon River Anthology* retold, in tombstone monologue, what happened to the frontier which had once inspired Walt Whitman and Mark Twain with hope and vision. *Chicago Poems* and *Smoke and Steel* revealed what industry had done to life—and the individual.

In the drama, Eugene O'Neill has expressed that disillusion and despair better than almost any of his contemporaries, better than Masters, Sandburg, Dreiser or Lewis. Little of the old order, the old optimism, has been left unassailed by O'Neill, who, bewildered by the chaos of the day, has attacked the mechanistic basis of our civilization and the entire moral structure upon which it has been built. Like Robinson Jeffers, he envisions man as the puppet of forces which are beyond his control, forces which bend and break him in the inevitable vise of circumstance.

In conclusion we can say, therefore, that American literature has become realistic because the changing conditions of our social life demanded it; that it has become pessimistic because those conditions made it impossible for the optimistic outlook of the nineteenth century to endure. It is not what Mr. Lewisohn characterizes as "the creative spirit" which has brought about this change, but the social conditions which have changed the character of "the creative spirit." The day when Whitman, Emerson and Longfellow believed that the fate of the individual resided in himself, as an individual, a creative force, has been succeeded by the day when Robinson, Masters, Sandburg and Jeffers believe that man is but an ignominious microcosm impotent before the play of social forces. It was, as we have observed, the catastrophic decline of power on the part of the individual in rural territories as well as in urban centres that brought this psychological change to pass—and reversed the historical direction of our literature.

Hitler's Bid for German Power

By LUDWIG LORE

ALTHOUGH Adolf Hitler, leader of the National Socialist German Labor party, was defeated in the election for President of the Reich, this does not eliminate his party as a factor in German political life. The German Fascist organization has a deeper significance than that of a party which suddenly springs up and flourishes only to be overthrown when the situation that erected it no longer exists.

Hitler may not be an overpowering personality but he has undoubted ability as an organizer and is a resourceful agitator, a captivating orator with the courage to provoke opposition, a clever demagogue in whom the faculty of winning self-sacrificing friends for his cause is present in a marked degree. He speaks the language of the new generation and directs his appeal in · thousand ways to their enthusiasm and lust for action. Irresistibly he attracts the hundreds of thousands of leaderless young men in Germany who are yearning for emotional outlets that no other movement has been able to supply. A master showman, he clothes the serious import of the movement he represents in theatrical garments to lend it an aura of romance.

The sons of the impoverished middle class who live under desperate economic conditions are especially responsive to Hitler's urgings. From time to time the small business men and tradesmen have cast in their lot with almost every one of the existing parties. Today they are the ardent adherents of the National Socialist German Labor party that promises them, besides the complete annihilation of their Jewish competitors, militant nationalism and new glory for the Fatherland.

To believe that millions of Germans would follow a man of average ability if he did not personify ideas and ambitions inherent in themselves would be to underestimate the seriousness of the German people and the potentialities of the Nazi movement. The Hitler party has been able to recruit hundreds of thousands out of all social groups and to instil in them a fanatical exultation "for the cause," because it gives determined, if noisy, expression to sentiments and aspirations which are native to the race-conscious soul of the German people. Hitler and his advisers are adept psychologists. They have made their party and its program the focus for widely divergent, incongruous and contradictory opinions, the supporters of which have only one characteristic in common—the lack of a unified outlook on the world. But there is method in this madness.

The chief tenet of Italian fascism is its pronounced *nationalism*. In Germany Hitler and his followers go one step further, promulgating not only a new Pan-Germanism but demanding the outlawry and expulsion of all non-Germans. The common conception that the German is inherently international-minded has no basis in actuality. Bismarck, the Iron Chancellor, who knew and understood his countrymen, once said that every German is a potential conqueror who claims everything in sight for his country.

The originator of the German nationalist idea was Friedrich Julius Stahl (1802-1861), the son of a small Jewish merchant in Munich named Warschauer. The ambitious youth

adopted the Christian faith when he was seventeen years old, changed his name to Stahl, and in time became one of the most powerful figures of his epoch. From Stahl Prussia and its Junkers received a new philosophy of government. He declared the State to be of divine origin, that the commands of the State authorities are commandments of God to which the individual must render unconditional and unquestioning obedience. The Conservative party, which was founded by Julius Stahl, ever afterward adhered to the ideas of its founder; it was nationalistic, anti-Semitic and generally reactionary. To these ideas can be traced in every important social and political question the ideological relationship between the conservative Junkers and the bureaucracy of the old school, represented today by the German Nationalist People's party behind Hugenberg, with its National Socialist offspring.

Like the Conservatives of the Stahl era, Hugenberg's followers are definitely opposed to general adult suffrage. In 1892 the notorious anti-Semitic royal chaplain, Dr. Stoecker, who for years was a Conservative member of the Reichstag, introduced a bill for the revision of the national election law which provided for a legislative body to be elected on the basis of professional, occupational and trade groups, to take the place of the German Parliament. It was the purpose of this bill to check the growing power of the German workers by giving the numerically weaker agrarian barons and their followers an advantage over the large cities and industrial centres with their increasing labor representation. In Italy Mussolini has since carried out Dr. Stoecker's proposal, and his German disciples are now striving toward the same goal. Dr. Joseph Goebbels, a national leader in the German Fascist movement, in *Der Nazi-Sozi,* a pamphlet published by his party, declares:

"The party Parliament will be replaced by the economic Parliament of the National Socialist State. It will be elected by a general and equal suffrage of the German people, divided according to their outstanding occupational groups of the nation, and not into Parliamentary democratic parties."

Germany was the last of the great industrial nations of the pre-war era to emerge from the feudalism of the middle ages. The people of the Germanic nations still bear the impress of that too recent epoch. Their folksongs, their fairy tales, their legends, their "castles on the Rhine" and even the famous *deutsche Gemuetlichkeit* (German easygoingness), all those characteristics of the Teuton that endear his culture to the heart of the world, are but the visible survivals of an earlier mode of life and thought. Politically, too, these nations have carried their feudal outlook into modern times. The German aristocracy and their titles still loom large in public and private life, though the monarchy has fallen and the republic has taken its place. A few years ago the German people voted more than $750,000,000 into the pockets of the Hohenzollerns and other deposed overlords by referendum as indemnity for personal property losses.

The monarchial idea is still firmly embedded in the hearts of the German people. Their literature is full of amusing anecdotes illustrating the devotion and loyalty of the population to its deposed rulers. Such episodes as those of the uproarious comedy of *The Captain of Koepenick* and the escapades of his post-war counterpart, Harry Domela, the young vagrant who posed as a German prince and succeeded in living for months as the pampered idol of a stupidly credulous post-war bourgeoisie and an aristocracy still hoping for the return of the "good old times" before his deception was discovered, were more than amusing interludes. They live in the history of the German people because

they are symptomatic of conditions which make them possible.

To the average middle-class German one-man rule is as natural as the military spirit that still pervades his public life. The misery and suffering, the defeat and the degradation that followed the overthrow of his war lords have strengthened the conviction that only a "strong man," with a monarchy, if necessary, can bring back the peace and prosperity of earlier, happier times. He refuses to hold the ex-Kaiser and his clique responsible for the defeat that has brought his Fatherland so low, and insists that only the dagger thrusts of the pacifists and Socialists behind the lines brought about the defeat of the German armies.

Hitler is no new figure in the political kaleidoscope of Germany. He came on the scene in November, 1923, when, with his ally, von Kahr, State Commissioner of Bavaria, he staged the Munich uprising. On the evening of Nov. 8, 1923, after these two men had conferred, Hitler issued a statement to the State Attorney's office in which he explained that for five years he had been resolved "to take up the fight against the destroyers of our German Fatherland, and not to rest until they were crushed to earth"; that he desired to undo the wrong done to the deposed King of Bavaria "by a horde of dastardly criminals."

Beyond the declaration that the German Reich is to be ruled by "one man," the National Socialist party gives no indication of the form of government to be established, and Hitler himself has remained discreetly silent on this point. But the spectacular side of the Hitler movement emphasizes its monarchistic aspects. A Nazi field day always brings out a number of ex-monarchs and their families, claimants to the various small thrones so rudely overthrown in 1918, each with his entourage of landed aristocrats and high military officers. August Wilhelm, son of Wilhelm II, is one of the party's most active stump orators. King Friedrich of Saxony, who died on Feb. 18, was in evidence at every one of these gatherings, and the ex-Kaiser himself on more than one occasion has openly displayed his interest in the National Socialist movement.

As positive as their admiration for the old monarchy is the hatred and contempt of the National Socialists for the Jew, whom they regard as the root of all evil that the German Republic has brought to their Fatherland. Every political opponent is presented to the National Socialist follower as a member of this hated race. The effectiveness of this method of propaganda is undeniable. The German middle class has always been strongly anti-Semitic at heart, and the rapid growth of Jewish competition in wealth and influence during the war and in the post-war period and the immigration of thousands of Jews from Galicia and Poland with their lower cultural standards have fed the flames of prejudice and animosity.

During the nineteenth century the growth of republican tendencies in Europe had contributed much to the ascendancy of the Jew in the social and business world. Though he acquired equal civil rights, his new status served to increase rather than diminish the hostility to which he was subjected. Formerly limited to a few rigidly restricted professions, he now became a rival in every field of activity. Jew-baiting, always a favored sport of the German Junker, became a political tenet, and reactionary politicians eagerly grasped every opportunity to use racial prejudice to further their own political interests.

In 1883 peculiar conditions in the Grand Duchy of Hesse, as it then was, actually led to the formation of an anti-Semitic party. The small holdings of the Hessian peasants were being relentlessly expropriated by Jewish moneylenders, who sold them at a handsome profit to the Hessian Junker landlords. In consequence of this, Dr. Otto Boeckel, a former college teacher

at Marburg and a small-town Liberal, organized a political party that demanded not only the liberation of the peasant from usurious interest rates but also the disenfranchisement of the Jews.

By 1893 there were sixteen anti-Semitic Deputies in the Reichstag, among them Boeckel, Ahlwardt, who is remembered by Americans of the last generation for his unsuccessful attempt to carry his anti-Jewish propaganda into this country, and Liebermann von Sonnenberg. Shortly afterward the party was split by internal dissensions into a number of factions that fought each other with the same venom that they had hitherto expended on the Jews. Since then these groups have been sporadically represented in the Reichstag without, however, acquiring political significance until the National Socialist movement shrewdly drew them into its ranks. In the flood of Nazi newspapers and periodicals, it would be difficult to find a single article that does not contain at least a passing reference to the "Jewish menace."

The Nazi party program deals officially with the political and social status of the Jew and relegates him to obloquy with frank brutality. Gottfried Feder, the author of the program, says of this phase of the movement: "Anti-Semitism is, in a sense, the emotional substructure of our movement. Every National Socialist is an anti-Semite, although not every anti-Semite becomes a National Socialist. Anti-Semitism is purely negative, and the anti-Semite per se, although he recognizes in the Jew the bearer of the pestilence that threatens the integrity of nations and their racial purity, expresses this realization in personal hatred for individuals and their achievements in business life." The program itself presents a positive solution of the Jewish problem, as will be seen from the full text printed at the end of this article.

In his biography *Mein Kampf (My Struggle)*, Hitler speaks of his Jewish contemporaries with frank detestation: "He who does not find himself vilified each morning in the Jewish press has not spent his time in useful activity, for, had this been the case, he would have been slandered, persecuted, abused and befouled by Jews. Only he who most effectively fights these deadly enemies of our racial purity, these despoilers of the integrity of the Aryan race and its culture, may enjoy the privilege of their rancor and the attacks of their people."

In an interview given to *The New York Times* on Oct. 15, 1930, to be sure, Hitler is somewhat more guarded in his expressions: "I have no quarrel with the respectable Jew. But when the Jew makes common cause with bolshevism we must look upon him as an enemy."

According to the prevalent conception of the terms involved, the name of the Hitler organization—National Socialist German Labor party—is in itself a contradiction, since socialism has always emphasized the international aspect of its movement. A careful study of the Nazi program reveals a corresponding inconsistency of ideas throughout, resulting in a confused idea of its actual intentions. Thus, it specifically emphasizes the fundamental justification of private property and its inviolability on the one hand and demands the limitation of vast fortunes in the hands of single individuals on the other. It aspires to a "healthy mixture of small, middle and large industrial units in all phases of industrial life and in agricultural pursuits" and in the next sentence announces the intention of "socializing all giant industrial concerns, syndicates and trusts."

Another clause (17) of the same program provides for "a system of land reform by a law which shall require the expropriation without compensation of land for socially useful purposes, the abolition of ground rent

and the prohibition of speculation in land values." In the program itself this clause is qualified, however, by the explanation added by Hitler declaring that the party "upholds private property."

The seeming confusion in the aims of the Nazis becomes intelligible if we consider the brief history of the party and its ideological background. In *Mein Kampf* Hitler, who first attempted a movement of vague generalities and racial nationalism, tells of his joy when he came upon the engineer, Gottfried Feder, and his plan for uprooting the power of national and international finance capital. This was the thing his movement needed to give solidity to a program that had hitherto lacked a positive appeal to the sober and disillusioned working-class elements, to whom the Social Democratic party had seemed, for a time, to point the way to a better future. Generations of propaganda had given the Socialist movement what his party lacked—a tradition that had become an integral part of the philosophy of the masses. It is to this tradition, vague and undefined as it exists in the minds of many German workers, that the mixture of nationalism, anti-Semitism and pseudo-socialism that is called national socialism, most successfully appeals.

The National Socialist party is made up of heterogeneous elements that reflect these divergent points of view. There are those who want the Socialist phase more strongly emphasized. On the other hand, there are the great industrialists, bankers, aristocrats and landowners who finance this mass party for their own commercial and national interests—the rebirth of a strong Germany, a place in the sun with colonies and spheres of influence and, above all, the ascendancy of capital over the organized labor movement. Today these elements are united by their opposition to the miserable economic conditions of Germany and to reparation payments. But if ever Hitler achieves partial or complete control, a conflict between these two tendencies is inevitable.

Text of German National Socialist Program

THE following is the full text of the program of the National Socialist German Labor party, drawn up on Feb. 24, 1920, and presented "to the German people" at a great mass meeting on the following day in the Hofbraeuhaus Festsaal in Munich. According to the declaration of principles of the party, this program is "unalterable":

The program of the German National Socialist Labor party is a program for all times. Its leaders will refuse to proclaim new aims, when those enumerated in this program have been accomplished, merely for the purpose of perpetuating their party by artificially fostering a spirit of dissatisfaction among the masses.

1. We demand the union of all Germans, on the basis of the self-determination of nations, in a greater Germany.

2. We demand the equality of the German people with those of all other nations and the abrogation of the peace treaties of Versailles and St. Germain.

3. We demand land and territory (colonies) to feed our people and to furnish opportunities for the settlement of our surplus population.

4. Citizenship rights shall be granted only to those who are of Germanic racial origin *(Volksgenossen)*. *Volksgenossen* are those who are of German blood alone, irrespective of what religion they may profess. No Jew can therefore be a *Volksgenosse*.

5. He who is not a citizen shall live in Germany as an alien *(Gast)* and shall be subject to the laws governing aliens.

6. The right to a voice and vote in the State shall be exercised by citizens only. We further demand that public office

of every kind, national, State or municipal, be held by citizens exclusively.

We condemn the corrupting parliamentary control of party patronage in public appointments, without consideration of character or ability.

7. We demand that the State be responsible, first and foremost, for the material welfare of its citizens. If it is not possible adequately to support the entire population, aliens (non-citizens) shall be forced to leave the Reich.

8. All further immigration of non-German elements shall be stopped. We demand, further, that all non-Germans who entered Germany after Aug. 2, 1914, shall be deported at once from German soil.

9. All citizens shall have equal rights and equal duties.

10. It shall be the highest duty of every citizen to perform either mental or bodily work. The activity of the individual shall not be in contradiction to the interests of the community, but shall be carried on as an integral part of the whole for the good of all.

We therefore demand:

11. The abolition of unearned and effortless income: *The Overthrow of Interest Servitude.*

12. In view of the enormous sacrifices of property and blood that every war costs the people, personal enrichment through the war shall be considered a crime against the people. We therefore demand the complete confiscation of all war profits.

13. We demand State ownership of all (hitherto) socialized concerns (trusts).

14. We demand profit-sharing in all large establishments.

15. We demand a liberal extension of old-age protection.

16. We demand the creation of a healthy middle class and its preservation, immediate socialization of the large department stores and the renting of their facilities at nominal rates to small merchants, and preferential treatment to small tradesmen and merchants in the awarding of national, State and municipal contracts.

17. We demand a system of land reform in harmony with our national requirements, the passage of a law which shall provide for the expropriation, without compensation, of land for socially useful purposes, for the abolition of ground rent and for the prohibition of speculation in land values.

[With this paragraph Adolf Hitler, on April 13, 1928, published the following explanation (which is included in the official program as published by the National Socialist German Labor party):

"In answer to the lying interpretations of Paragraph 17 of this program that have been made by our opponents, the following statement has become necessary:

"Since the N. S. G. L. P. upholds private property, it automatically follows that the passage referring to the 'expropriation of private property without compensation' can refer only to the creation of legal possibilities whereby land illegally acquired, or administered in contradiction to the highest interests of the people, may be held forfeit. Such a law would be applicable especially to Jewish real estate speculators.

(Signed) ADOLF HITLER."]

18. We demand relentless war on all those who by their activities threaten the interests of the community. Criminals, usurers and profiteers shall be punished by death, irrespective of race or religion.

19. We demand the substitution of Germanic communal law for the Roman code that at present serves the interests of a materialistic world order.

20. To enable every able and diligent German to achieve the benefits of a higher education, the State shall extend and develop its entire educational system. The curricula of all educational institutions shall be adapted to the demands of practical life. The conception of the "State" idea must be implanted by our schools in the minds of their pupils as soon as they are able to grasp its significance (in courses on civics). We demand opportunities for higher education for the children of poor parents who show evidence of particular ability, at the expense of the State and regardless of social standing or profession.

21. The State shall be responsible for the improvement of public health by means of motherhood and childhood protection, by the abolition of child labor and by the promotion of physical development through a program of compulsory sports and physical training, to be

carried out with the widest possible support of all organizations devoting themselves to the physical education of our youth.

22. We demand the abolition of hired troops and the creation of an army of the people to take their place.

23. We demand legal measures against deliberate political lying and its dissemination through the press. To encourage the growth of a German press we demand that:

(a) Editors of and contributors to all newspapers appearing in the German tongue shall be *Volksgenossen.*

(b) Non-German publications shall be issued only with the express permission of the State. They shall not be printed in the German language.

(c) Financial participation in or influence on German publications shall be forbidden by law to all non-Germans, and we demand in case of violation of this provision that the penalty be immediate suppression and that the non-Germans in question be expelled from the country.

Publications which contravene the public weal shall be prohibited. We demand legal restriction of that movement in art and literature which exerts a disintegrating influence upon our public life, and the closing of places of entertainment that transgress the above principles.

24. We demand freedom of worship for all creeds and denominations in so far as their tenets do not menace the integrity of the State and are not repugnant to the sense of decency and morality of the Germanic race.

The party, as such, stands on the ground of a positive Christianity, without binding itself to any definite denominational position. It opposes the Jewish materialistic spirit within and without, and is of the conviction that the permanent recovery of our people will be possible only from within on the principle of *Community Interests before Private Interests.*

25. To put the above into effect we demand:

The creation of a strongly centralized power for the nation, absolute power and authority for the political central parliament over the entire nation and its organizations in general, and the creation of professional and trade chambers of parliaments *(Staende und Berufskammern)* for the execution in the individual States of the laws enacted by the nation.

The leaders of the party pledge themselves to support, with their lives if necessary, the carrying out of the above program.

The Silver Question Again

By BERNHARD OSTROLENK
Author of "The Economics of Branch Banking"

GOLD and silver, the two metals that from time immemorial have represented wealth and affluence, that have embodied the dream of ancient and modern misers, that have been the most valued booty of conquering armies, that have supplied the urge for exploration and conquest, for whose possession man, from the beginning of civilization, has labored and fought, risked his life on uncharted seas and in perilous lands, these metals still present baffling problems to modern statesmen and economists and today again provide central themes in the discussion of the critical problems arising from the economic depression.

The problem of gold springs from the fact there is a shortage, because it is relatively overvalued, because there is a maldistribution and because the insufficient supply has inflated its value as currency. In contrast to gold, the problem of silver is due to an oversupply, because it is cheap and because it has devaluated the currency based on it.

There is no need to consider here the fiscal complications arising from a shortage of gold and the significant connection that an important group of economists discover between gold, prices and prosperity; nor need we elaborate the reasons for the departure from the gold standard of important industrial nations in Europe, Asia and South America. It is enough to point out that just as gold is money to the industrialized world so silver is money to more than one-half of the human race, and that while in recent years the industrial world has been prone to discuss silver largely as a commodity, to those large populations to whom silver is money it has meant much more than a mere commodity—it has meant a medium of exchange, purchasing power and economic well-being. These are the terms in which Bryan discussed silver, and the ghost of Bryan and bimetalism today frightens the orthodox monometalistic economist.

However, the practical problems confronting the "silver" nations and silver producers need not be confused with monetary vagaries of the past. The problems of silver need to be discussed both in the light of currency for important groups of people throughout the world and also as a commodity to producers in Mexico, the United States, Peru and other countries.

The present oversupply of silver, with its consequent price of 30 cents an ounce, as against 65 cents before 1914, originates in the World War. Before 1914 silver producers and silver-currency countries had acquiesced in a sort of price equilibrium between silver and gold. The "Crime of 1873," which was the first attempt to demonetize silver in the United States, and Bryan's burden of the "cross of gold" in 1896, which was to be lifted by re-establishing silver as a co-currency with gold, had become only memories. Throughout the world there were important countries, including China, India, Indo-China, Mexico and Spain, that used silver either exclusively as currency or as a co-currency with gold; every industrial nation also used silver as a sub-

sidiary currency and held important stocks of silver in its vaults as reserves.

Production from 1900 to 1916 averaged about 190,000,000 fine ounces annually; 70 per cent of it was a by-product in the mining of non-ferrous metals and virtually all of it was used in the arts and for minting purposes. The price of silver during this period fluctuated relatively little. In 1900 silver prices averaged 62 cents an ounce and in 1916 they still averaged 67 cents. Though prices, just before the World War, were sharply lower than when the "Granger" laws forced bimetalism on the United States (prices from 1865 to 1885 were from $1 to $1.33 an ounce), the significant and satisfactory price aspect of this pre-war period was that silver prices were reasonably stable and consequently there were no serious disturbances in the economic relations between silver and gold currency countries.

The World War created a heavy demand for goods from India and China, both silver currency countries, and a curtailment of exports to the Far East. This shift in the balance of trade led to an exceptional demand for silver to pay for goods from those countries. Silver prices rose rapidly, reaching an average in New York of $1.12 an ounce during 1919, or almost double the pre-war stabilized price. The metallic contents of the rupee and of silver coins of many gold-standard countries came to be worth more than the face value of the coins in currency, and consequently silver was in unusual demand for hoarding. In brief, the value of silver in the hands of private owners and, more important, in the vaults of nations using silver as a subsidiary coinage had sharply appreciated.

Treasury officials, harassed by deficits arising from war budgets, were quick to note the advantages that could be derived from the situation. The subsidiary currency of gold-standard countries is usually worth only a fraction of the face value of the metal in the coins. It detracts in no way from the face value of these coins if the metal content is still further reduced because, in any event, the currency may be exchanged for gold. The value is not in the metal content, but in its face value. Holland was the first country to reduce the silver content of its currency and, in 1920, Great Britain reduced its coinage from a standard of .925 fine to a basic fineness of .500. This change had no more effect on the face value of the coins than when the dollar bill in the United States recently was reduced in size. But the debasing of silver coins left in the treasuries of Holland and Great Britain important silver bullion surpluses, which were promptly sold at the then greatly appreciated prices. Australia, New Zealand and most of the European and South American countries soon followed the example of Great Britain. Belgium abolished silver coins in 1926; Poland, Italy and France sharply demonetized their silver coinage during the next two years. As a result of this process of demonetization, between 1920 and 1930, a total of about 225,000,000 ounces of silver was thrown on the market.

So large an additional supply would in itself have sufficed to cause sharp price declines and economic disturbances to the "silver" countries. And silver prices did drop vertically after 1920, reaching the pre-war level by 1921; further irregular declines continued in sympathy with the successive sales from government treasuries.

Another heavy blow was given to silver prices when the Indian Government decided to adopt the gold bullion standard. In 1926 the Royal Commission on Indian Currency and Finance, the Hilton-Young Commission, recommended this standard as the most satisfactory for India. The rupee, which had been stabilized since 1919 at 2 shillings, was reduced to 1 shilling and 6 pence. To procure for India the necessary gold for the new currency

system it was necessary to sell a large portion of her silver holdings. In fact, the mere announcement of the probability that about 400,000,000 ounces of the silver holdings of the Indian Government might be sold, precipitated a sharp price decline in 1926. Further declines followed when the Indian Government proceeded to dispose of its silver holdings. By December, 1931, the price had dropped to less than 30 cents an ounce, against 63 cents in 1926 and $1.12 in 1919.

Economic disturbances followed inevitably upon this further decline in silver. Such a situation had been foreseen by the Hilton-Young Commission, which had declared in its 1926 report: "The effect of the announcement that the Indian Government proposed selling a large quantity of silver would be to immediately throw out of gear the exchange with China and for a time to paralyze the growing trade with the world of that country. The people of India have from time immemorial placed their trust in silver as the medium of exchange and as their store of value. They are deeply interested in the value of silver and it is contrary to their interest to depreciate it. The present proposal would inflict heavy losses on the poorer classes, who have put their savings in silver ornaments and who would find their stores of value depreciated by possibly 50 per cent by the action of the government."

At the same time the Governor of the Bank of England expressed the opinion that "there is a reaction upon the gold prices when an extreme fall or rise takes place in the value of silver, which is none the less serious because it is indirect and not very apparent on the surface. The consequential changes in prices generally and in trade conditions which would be produced; the disturbance to the world's economic peace and confidence; the interference with the long-established social habits in the use of silver; the reliance of a great country like China upon silver as a medium of currency and a common store of value, could not fail to have important effects upon the gold prices of countries in Europe and, indeed, in America."

Price disturbances, exactly of the nature foretold by the Hilton-Young Commission and the Governor of the Bank of England, occurred. One of the peculiarities of the silver situation is that the British Government should have deliberately initiated a policy the consequences of which appeared so plain. Neither the forecasts of the commission nor of the Governor of the Bank of England checked the plans to place India on a gold standard.

Between 1926 and 1930 the Indian Government sold about 100,000,000 ounces of silver. Meanwhile, Indo-China also went on a gold standard and sold about 34,000,000 ounces. During the decade following 1920 a total of 400,000,000 ounces of silver was thrown on the market, a supply unrelated to overproduction or accumulation of stocks, being merely releases of previously stored silver by India, Great Britain and other countries. Production, on the other hand, increased but slightly during the years from 1921 to 1930. The average annual production during this period amounted to 238,300,000 ounces, compared with 190,000,000 ounces during sixteen years of the pre-war period. Because of the fact that 70 per cent of silver output is a by-product in the production of non-ferrous metals such as copper, gold, zinc and lead, the increase during the period must be attributed partly to the rise in production of the other metals. Silver production varies directly with the production of non-ferrous metals and does not respond readily to price. During the first nine months of 1931, in sympathy with lower production of non-ferrous metals, there was a drop in silver production of 22 per cent from the corresponding nine months of 1930.

The causes for present low silver

prices may be attributed to three factors—first, demonetization of subsidiary currency by Great Britain and other countries; second, adoption of the gold bullion standard by the Indian Government and subsequently by Indo-China; and third, a slightly increased silver production which resulted from the greater mining of other metals.

The decline in silver prices sharply depreciated the currency of all "silver" countries, especially China, India, Indo-China and Mexico. China is still on a full silver standard and its chief silver unit, the tael, varies in weight in different sections. The decline in silver has been followed by a sharp curtailment of Chinese foreign trade. In fact, the effect of the decline of silver prices on China was similar to that of a high tariff. Foreign goods had to be paid for in larger quantities of silver; as a result the purchasing power for imports sharply decreased. Economists disagree as to whether China has gained or lost by this situation. Some maintain that the drop in silver prices stimulated exports from China because more taels could be purchased with gold and Chinese prices were lower relatively for other countries. Again, domestic production was stimulated because low silver prices in terms of gold inflated domestic prices and checked imports. On the other hand, 75 per cent of China's debt is payable in foreign currency and the drop in silver has greatly increased Chinese foreign obligations. Besides the strictly governmental debt there is also private indebtedness of more than $300,000,000, which was incurred in the building of railroads. Again, the sharp increase in the cost of living in China has made for decreased real wages. The effects have been so varied by these changes that it is difficult to strike an average.

A similar situation exists in India. Silver hoarding has been one of the important means of accumulating wealth by the Indian farmer. The decline in silver prices has caused losses estimated as high as $3,000,000,000 to Indian silver holders. On the other hand, there have been gains by precisely the same groups that profited in China. India attempted to counteract the domestic effects of the price declines in silver by imposing an import tax of 9 cents, which temporarily raised domestic prices of silver and had the general effect of curtailing silver imports into India but again sharply lowered world silver prices.

In Mexico, where the mining of silver is one of the chief sources of wealth, the drop in the price of silver has proved to be almost a national disaster. Few silver mines can operate profitably. Mexico attempted to adhere to the gold basis, but in July, 1931, the Chamber of Deputies voted to abolish the gold standard and to place Mexico on a modified silver standard. The gold peso was declared to be no longer legal tender, and all contracts on a gold basis were made payable in silver. Mexico is not on a full silver basis because the coinage of silver pesos is strictly prohibited. All the evils of inflation and debt cancellation have followed the drop in prices.

Conflicting views are held by economists as to the world effect of the drop in silver prices. An important group holds that much of the world depression can be traced to the drop in silver prices with the resulting decline in the purchasing power of over one-half of the world's population, which is on a silver basis. Others argue that the drop in silver prices is an effect and not a cause of the depression. The argument is not wholly academic because our attitude to possible solutions of the silver problem must depend on the point of view developed. If silver has declined because of the general world depression, then the rehabilitation of silver prices must await general recovery. On the other hand, if silver has caused much of the depression, then the rehabilitation of silver prices becomes a major item in

the necessary steps for recovery. The latter thesis has more weight because price declines in silver long preceded the general world depression. With this in view, we may briefly examine some of the suggestions that have been proposed for stabilizing silver and restoring the purchasing power of "silver" countries.

These proposals arise out of the conditions that have created the present débâcle. First, there is the suggestion to curtail production. Producers reply that, since from 70 to 80 per cent of silver is a by-product in the production of non-ferrous metals, such restriction cannot be readily agreed upon or carried out. Moreover, producers argue that the present silver price débâcle is not the result of overproduction, but of the dumping by governments of surplus bullion from demonetized subsidiary silver currencies. They argue that restricted production, even if it could be accomplished, would merely leave the field open for additional selling by governments that still have silver stocks.

A second recommendation is predicated upon bringing about an agreement among governments not to sell silver when it reaches a certain price and on the contrary to buy silver when it goes below a certain price. No important official body has suggested at what price silver is to be thus stabilized. It is obvious that important silver purchases by governments would have to be made in order to rectify errors made during the period from 1920 to 1930, when large amounts of silver were thrown upon a non-absorptive market. But these governments — Great Britain, India and others—are in no financial position to make such purchases. The producers of silver themselves have suggested that governments that have sold silver repurchase it in the same quantities that it was sold and that central banks be required to accumulate certain reserves of silver. It is claimed that the shortage of gold makes it advisable to increase the metal base for currency by creating an adequate store of silver in addition to gold. Actually this would be a modified form of bimetalism.

The chief direct effects on the United States have been on silver producers whose profits have dropped and on exporters to the Far East, who have found their market sharply diminished. There has been a sharp curtailment of Chinese purchases of cotton goods from Japan because of the lowered purchasing power of the Chinese tael and, in turn, a disastrous decline in the takings of raw cotton from the United States. Perhaps here is a major contributing factor in the collapse in cotton prices—from 20 cents a pound in 1929 to 6 cents a pound in 1931. It is not improbable that the economic troubles of the South can be related to the price collapse of silver.

Other indirect consequences can be traced to a decline in silver prices. In spite of the fact that the United States produces less silver than Mexico and only 20 per cent of the world's total production and that the United States Treasury did not participate in the demonetization schemes, there is an important demand that the United States Government actively lead in the rehabilitation of silver. This leadership, it has been variously suggested, is to take the form of purchasing silver and of negotiating agreements with other countries for the stabilization of silver prices. Some silver representatives wish to see larger portions of our monetary reserves in the form of silver. However, it appears obvious that the solution of the silver problem lies more directly with Great Britain and India because of the monetary importance of the problem to them. In any such movement the cooperation of silver-producing countries, such as Mexico, the United States and Peru, may be counted upon.

Toward Unemployment Insurance

By CLAY P. MALICK

UNEMPLOYMENT insurance is today a national problem which promises to become increasingly important in the months ahead. Unfortunately, interest in the problem is aroused only during periods of distress, when energy is being concentrated on administering immediate relief through hastily organized charity. Whether present proposals for unemployment insurance will be another political football with which to pass depressing days or a real part of our political life depends upon the intensity of the present depression and to what extent unemployment remains with us. Certainly the immediate future of any plan for social insurance in America will be a troubled one, not only because of the difficulties of administration under our complex political system, but also because of American traditions of individualism and personal liberty.

Originally, social insurance was conceived as a means of relieving the poverty-stricken from the constant threat of want. But a new conception has arisen—especially in regard to unemployment insurance—which includes not only the poor but all groups of laborers and "white collar" workers, whose lives are menaced by the possibility of unemployment. This new philosophy of social insurance would substitute social support for individual effort, would release from the fear of poverty all those whose daily wage is now the only key to freedom.

For years Americans have considered social insurance as a subject for theoretical discussion alone, disregarding the practical demonstration in Europe of the efficacy of social insurance as a remedy for many of the evils accompanying the industrial system. To Europe a surplus of labor is an old story; to America it is a new experience. Depressions have occurred before and unemployment has resulted; but these periods have passed in a short time and with them passed the need for any permanent plan for insurance. On the eve of the present depression, however, there was a noticeable increase in unemployment, although it was not felt generally because of certain widespread characteristics of prosperity. Presumably, in the future, a permanent surplus of labor will exist—a surplus which must be provided for, by industry if possible, otherwise by the State.

The inability of industry to deal with unemployment has been amply proved in the experience of Great Britain. Hundreds of thousands of British unemployed would never have received the benefits of unemployment insurance if it had been administered by industries, because most of the applicants had been out of work too long to keep in touch with any one industry.

Unemployment at present has become so extensive that it constitutes a public, not a private, problem. Two solutions are possible: it can be treated as a seasonal or a periodic phenomenon, varying in intensity with different trades; or it can be considered an increasingly permanent social evil, one of the mainsprings of poverty. From the first point of view unemployment insurance would be placed upon an actuarial basis, with a definite relationship between contributions and benefits, and the latter restricted to a small fraction of the

working year. The second solution, while retaining contributions by employer and employe, considers unemployment insurance in part as another form of taxation. Benefits would be administered on the basis of need rather than of paid contribution. Through the flexibility of its benefits, the system would operate automatically to relieve the intense suffering and lowered morale of prolonged economic depression.

The first type of unemployment relief was embodied in the British national insurance act of 1911, and is the only kind that has been given serious consideration in the United States. Abandoned as ineffective by European industrial countries, it persists in America only because the real significance of the unemployment problem has not yet been comprehended. On the other hand, the events of the past decade have focused the attention of Great Britain and the European nations upon the second plan for unemployment administration.

Not until 1909 was it apparent that in Great Britain the traditional governmental attitude toward the poor was changing. The Puritan theory that the victims of poverty were the objects of their own sinfulness and that the acceptance of public relief constituted a confession of moral turpitude had, in some measure, still persisted. Among the remnants of this old philosophy was the administration of the demoralizing workhouses for the unemployed under the poor law of 1834. These were condemned in no uncertain terms by the Poor Law Commission in its report of 1909. Definite steps were then taken to remedy the situation in the national insurance act of 1911.

This act provides compulsory unemployment insurance in those trades where the unemployment ratio was highest: engineering, iron-founding, sawmilling, building, woodworking, shipbuilding and construction of vehicles—in all, about 2,400,000 workers. A benefit of 7 shillings a week was provided for, payable after a waiting period of one week and continuing not longer than fifteen weeks out of a year, provided this period did not exceed the ratio of one week of benefit to five weeks of paid contribution. The insured also had to prove that he had been employed in an insurable trade not less than twenty-six weeks during each of the five preceding years; and that he was capable of work, but unable to obtain employment. The workman was given a small book in which was pasted each week a 5d (10-cent) stamp, 2½d (5 cents) of which was deducted from his wage. To this amount the Exchequer contributed 1 2-3 pence.

The act of 1911 was based upon the rate of unemployment, which varied, in the years before the World War, from 3 to 8 per cent. So mild a remedy was found to be hopelessly inadequate in the face of the mounting unemployment situation in the post-war years, when the rate rose, in some instances, to 21 per cent.

The act of 1920 broadened the base to include the vast majority of manual workers—about 12,000,000—and excepted only those engaged in agriculture, private domestic service and public utilities. The series of amendments to this act, which began with the unemployment crisis in 1921, were regarded as temporary and were designed to meet an emergency. But as business conditions did not improve, these amendments became vastly more important than mere temporary measures of relief. The broad, sweeping provisions enacted in 1927 and 1930 have made the act of 1911 hardly recognizable.

These amendments to the insurance acts have brought about a gradual relaxation of the qualifications for eligibility, and at the same time have increased the periods of relief to twenty-six weeks. These twenty-six-week periods have been extended repeatedly. The rate of benefit at one time rose to 20 shillings for men and 16 shillings for women; later this was

reduced to the present rate, 17 shillings and 15 shillings, respectively. As early as 1921, in allowing benefits for dependent relatives, the principle of benefits in proportion to need rather than to paid contribution was introduced.

By 1930, in accordance with the Blanesburgh report, which recommended that benefit to any one insurable should continue as long as his unemployment, all restrictions on benefits were relaxed. The report declared: "We have found in all quarters a general agreement that the risk of unemployment should be insured. * * * It has been recognized by all who have appeared before us, and we ourselves share the view, that an unemployment scheme must now be regarded as a permanent feature of our code of social legislation."

The British insurance scheme as it stands today is not a piece of skillful political planning, nor is it a product of deliberate social consciousness. It is a crazy-quilt, patched together without plan, each piece dictated by necessity. Nevertheless, in the measures adopted between 1920 and 1930 the lines of a new order are discernible. Those closely identified with British labor legislation believe that they have merely started on the right path, and that it will be possible, when normal conditions have been restored, to achieve some of the ultimate aims of social insurance.

Industrial unemployment insurance in Germany began in 1894 with the work of Ernst Abbé in organizing the Zeiss optical works along cooperative lines. The movement, after spreading successfully to other industries throughout that country, was halted by the war. The dislocation of postwar industry forced the governments of the Reich to assume the burden of supporting the unemployed.

The Reichstag, which had followed closely the experience of Great Britain, enacted on July 16, 1927, a most interesting code for the placement of workers and for compulsory unemployment insurance. To the system of social insurance, which already covered accident, sickness, invalidity, old age and burial, was added unemployment insurance. It applied to those workers liable to compulsory health insurance whose annual wage does not exceed $900 and to those liable to old age and sickness insurance whose salary does not exceed $1,500. To the latter group belong teachers, office workers, theatrical performers and musicians.

The rate of contribution was not to exceed 3 per cent of the salary—later raised to 4½ and, in 1930, to 6½ per cent—to be borne by employer and employe equally. The German scheme is thus self-supporting, while the British fund is authorized to draw upon the Exchequer to the extent of $450,000,000.

Under the German plan benefits are payable from the eighth day after the authorities are notified of the claimant's unemployment. The claim to benefit arises after twenty-six weeks' payment of premiums and the benefit is limited to twenty-six weeks in any year. If relief is necessary after the expiration of this period, the claimant is turned over to the emergency relief, or *Krisenfürsorge*, the cost of which is borne by the Reich and the local governments in a ratio of 4 to 1. To determine the rate of relief the beneficiaries are divided into eleven groups according to the scale of wages. Benefit for the lowest group is equal to 75 per cent of a standard wage, or norm, for that group. This percentage diminishes as the standard wage increases until the basic benefit is 35 per cent of the standard wage. This is in sharp contrast to the flat rate of the British system.

The German plan displays a familiarity with other schemes and is the product of careful research and coordination. The serious financial pitfalls which it has met since its inception must be attributed to the depression, rather than to errors of administration.

The adoption by France of a compulsory social insurance system is one of the most surprising and far-reaching developments in legislation for the protection of the worker. While not of direct interest to the study of unemployment insurance, it is highly significant as a departure from the French *laissez-faire* tradition. The act, which was passed by the Chamber on March 14, 1928, and became effective on July 1, 1930, had been before Parliament for seven years. It applies to all wage earners of both sexes whose earnings do not exceed $600 a year. It covers the risks of sickness, invalidity, old age and death, and provides that during unemployment, even if premium payments are not maintained, the worker is guaranteed the benefits of the system for a period of six months.

Since the history and tradition of social responsibility in France run parallel with those of the United States, this action deserves attention. It reflects the new trend in social economics, and, with the social activities in other advanced industrial countries, provides a background for similar developments in America.

The sporadic efforts to aid the unemployed in the United States indicate, unfortunately, that the valuable experience presented by Europe is not being used. In America it is possible for forty-nine major relief plans to exist alongside hundreds of municipal and private philanthropic schemes. Such a chaotic system only serves to heighten the distress of the man out of work.

Of the 4,331,251 trade unionists in the United States not more than 110,000 are enjoying the benefits of insurance against loss of work. Outside the labor unions various plans—mostly for temporary relief—have been either proposed or put into operation. In 1930 the joint report of the representatives of the National Association of Manufacturers and the National Industrial Council attracted considerable attention by advocating insurance by industries, stabilization of industry, stabilization of the dollar and planned public works. Like the reports of most American commissions, this one was without result.

Today thirty-five industrial organizations are operating unemployment insurance programs, among them the General Electric Company, the Dennison Manufacturing Company, the Procter & Gamble Company and the full-fashioned hosiery companies. Cincinnati has attracted attention by her unemployment relief program, although it provides only for immediate relief. Most notable among the recent additions to this list are the unemployment compensation act, passed by the Legislature of Wisconsin in January, 1932, and the report of the Interstate Commission on Unemployment insurance, published on Feb. 15.

The Wisconsin unemployment compensation act is the first legislation of its kind in the United States.* Professor H. M. Groves, its author, boasts that it is neither "radical nor a panacea for unemployment." It provides a period of a year and a half during which employers may set up voluntary systems of unemployment compensation which must have the approval of the State Industrial Commission.

If half the employes insurable under the act are not covered by voluntary systems by July 1, 1933, the act becomes effective. Under it an employer is compelled to contribute to a State fund 2 per cent of his payroll. His reserve is to be used as a benefit to those employes to whom he is unable to give at least half-time work. The rate of contribution is lowered when his fund reaches a total of $75 per employe. The benefits are limited to 50 per cent of wages, or $10 per week, whichever is lower, and payable for a period not to exceed ten weeks in any one year.

Underlying the act, according to

*The text of the act and a detailed analysis are presented in Roger Sherman Hoar's *Unemployment Insurance in Wisconsin* (South Milwaukee, Wis.: The Stuart Press, 1932. $2).

its author, are the principles that industry can eliminate much unemployment, that the cost of unemployment should be made a direct charge upon industry, that the worker is entitled to a regular income, that it is not, in any respect, a form of insurance, but a part of the costs of operation. There is no need for comment upon the step taken by Wisconsin. It indicates the trend of thought in this country along socio-political lines. Unfortunately, State action of this kind, solving only a small part of the unemployment problem, may tend to crystallize American views and retard indefinitely a more comprehensive solution. Such has often been the fate of other pressing problems which were really national in character.

The Interstate Commission on Unemployment Insurance was composed of one representative from each of the Governors of the States of New York, Ohio, Massachusetts, Pennsylvania, New Jersey and Connecticut, with Leo Wolman, the New York representative, as chairman. Their report embodies the following features: (1) Compulsory establishment of State-wide systems of unemployment reserves; (2) payment by each employer of a contribution amounting to 2 per cent of his payroll; (3) payments made by each employer to constitute the unemployment reserve of his firm —as opposed to pooling the reserves among all industries, as is the practice in Europe; (4) a maximum rate of benefit of 50 per cent of the salary, or $10 per week, whichever is lower, and a maximum period of benefit of ten weeks in a year; (5) limitation of the financial responsibility of the employer to the amount of his unemployment reserve; (6) no further contribution by the employe when the reserve reaches $75 per employe; (7) the State to act as the custodian, investor and disbursing agent of the reserve funds; (8) the State to take steps to extend its public employment service; (9) creation by the unemployment authority of stabilizing agencies.

Obviously the commission in making recommendations of this nature was limiting itself to that irregularity of operations which has so long characterized American industry. The report adds, rather hopelessly: "It seems to us unlikely that any single measure now adopted can cope successfully with all forms of unemployment, or with the total period of unemployment, or even with all the unemployed."

Some very definite considerations, in the opinion of the writer, arise from a general survey of unemployment conditions. Relief must be more comprehensive than anything yet proposed in the United States, since it has become too extended to be classed as a problem of industry. Any plan for relief must be public, national in scope and unified in administration. Furthermore, the experiences of pre-war attempts at insurance cannot adequately serve as models for our solution of the problem. Federal legislation alone can relieve the present distress and prevent its recurrence. In the present state of the Congressional mind the prospects of such legislation are not bright; nor can anything better be hoped for as long as the prejudices aroused by the word "dole" can throw legislators into a panic. Nevertheless, the problem is increasing in severity; a rational attack upon it at the present time could save the people of the United States the agony of a decade of trial and error such as the British experiments went through.

South American Contrasts

By HENRY KITTREDGE NORTON

ANY measurement of cultural values is unlikely to achieve much success. If "culture" is used in its broadest sense it includes economic factors which are susceptible of fairly exact measurement and comparison. But there are questions of appreciation which arise from a multitude of differences in morals, customs, education, temperament and taste, for which there is no accepted standard of measure.

The American who travels in the countries on the neighboring southern continent is repeatedly met with veiled insinuation, subtle implication or bald assertion regarding the relative cultural values of the United States and of the South American republics. Which has the higher cultural value —an American youth urging his motor to express-train speed or an Argentine riding his horse at full gallop, the jazz music of our dance-halls or the tango of the Buenos Aires waterfront, the Brazilian machiche or the doleful songs of the Bolivian Indians, the literature of France or the literature of England, the strait-laced morality of the Puritan, the carefree manner of the modern age, or the more sophisticated mixture of the two which prevails in South America? Obviously, these are questions which will be answered according to heritage and temperament. Except for those exotic spirits who consistently find the good in other peoples and the bad in their own, the general tendency will naturally be for the natives of each country to approve that to which they are accustomed—one of the common manifestations of nationalism.

Certainly in the field of economic development the United States has a preponderant position which easily outweighs that of the rest of the hemisphere. But the relative rank of the South American States is not so well known. Argentina is generally accepted as leading, but her enormous superiority comes as a surprise even to the informed. Argentina conducts half the foreign commerce of all South America. She has 43 per cent of the railways and 60 per cent of the railway traffic, both passenger and freight. She has nearly half the telephones and more than half the automobiles in all South America; 60 per cent of the letters and telegrams of the continent are handled in Argentina. Her banks hold nearly three-quarters of the gold.

Argentina is almost as dominant on the South American continent as is the United States in the whole Western Hemisphere. And this with only about one-sixth of the people and one-sixth of the territory of the ten republics south of Panama. Brazil, with nearly half the territory and population, ranks second in most of these matters, with an economic activity about half as great as Argentina's. Chile and Uruguay alternate for third place in most instances, with Peru occasionally asserting herself.

The more purely cultural activities are not wholly unrelated to the level of economic attainment. But many South Americans refuse to admit that there is any connection between economics and culture. To do so would open the way for the inference that the United States might have reached a higher cultural level than their own countries. It is safer to rest upon the

dogma that North Americans are hopelessly absorbed in the pursuit of the almighty dollar, that they have made no progress in spiritual and artistic matters and are scarcely aware that such things exist.

Many an American who has traveled in the southern republics has accepted this defensive generalization. Yet his attitude is understandable. He arrives in the capital of a South American republic as the representative of some American philanthropic or good-will organization. Influential citizens to whom he has letters of introduction arrange, with a courtesy far in excess of what the traveler is accustomed to at home, meetings with leaders of the educational and social life of the country. Such circles are composed of charming people. Their conversation ranges over the intellectual and cultural activities of the world. They speak easily two or three languages, exhibit a knowledge of music, art, European literature and the latest developments in all of them. The visitor sees before him evidences of a personal cultural development beyond anything which he has known in the United States. It is an easy step to the conclusion that he has discovered a cultural attainment excelling that of his own country.

Yet in the United States there are similar groups. In New York and Washington, in Boston and Philadelphia, circles exist where one can hear charming people speak as many languages and show as great and easy an acquaintance with music, art and literature as in Lima or Santiago, Buenos Aires or Rio de Janeiro. But they are rarely accessible to the average man. Furthermore, when a traveler meets and talks with such groups in South America, he is in the presence of a larger portion of the national culture —if it may be measured quantitatively—than is possible in the United States. The country he is visiting is, of course, nominally a constitutional democracy. Nevertheless, the traveler is in the presence of an aristocracy. He is talking with the scions of old-established families whose names have been prominent for decades, and whose ancestors have gathered into the family coffers a foundation for the cultural superstructure of later generations. The American is talking to the dukes and duchesses of an untitled nobility. Their personal worth is the equal of that of men and women of similar background in any country. But it does not follow that the cultural level of their country is at a corresponding level.

Few South American countries possess more than the rudiments of a middle class. The aristocracy which owns the national wealth, furnishes the governing officials, fills the professions, constitutes society and receives foreign visitors, is far removed from the mass of the population. If national culture is to be judged simply by the attainments of individuals, the United States might rest its case upon a representative such as Justice Holmes. But the ultimate appraisal must fall upon the general level, not the particular.

When a South American refers to the cultural superiority of his country, his attitude is based upon the best of his own nation and the median or worse of others. The national level hardly occurs to him, because his thinking is instinctively aristocratic. Demos is, for all but a few, a thing apart from and below the nation. If the South American's chosen ground is accepted there is little room for comparative analysis. Taste is so large a factor that there is no common standard of measurement.

Literacy is one of the fundamentals of cultural development. In South America this ranges from slightly over 60 per cent in Argentina and Uruguay to 50 in Chile, 35 in Peru and Colombia, 15 or less in Bolivia and Paraguay. The best of these figures is below even the most discouraging for the United States.

In the higher ranges of education

there is a similar difference. Even in the most advanced South American republic, the proportion of high schools is far below that of the United States. Only the more favored individuals reach this comparatively advanced stage of education, still fewer the universities, although nearly every republic boasts at least one university and several of them have a number of such institutions. When the wide range of quality among the universities of the United States is considered, one hesitates to make too close comparisons with the southern institutions. However, even the best South American university operates on standards of scholarship far below those of at least a dozen leading American institutions. One reason is obvious. It is customary to recruit the faculties from the active members of the professions. No lawyer in Buenos Aires would feel he had achieved his due measure of distinction unless he were a member of the Faculty of Law either in Buenos Aires or La Plata. The proportion of university professors who are only teachers and scholars is extremely limited. High scholarship is but rarely the by-product of a busy professional life. Perhaps the objection may be raised that the American system is possible only in a country which possesses greater wealth, that the American means is superior and not the desire or interest. In that case, cultural development is seen once again to rest upon an economic basis.

Tangible measurements for a nation's interest in art are difficult to establish. Latin-American cities are well furnished with elaborate monuments, but many of them would draw as caustic a comment from Mr. Epstein as did New York's Maine Memorial. Skill in monument-making is still not far advanced in any part of the world. Museums may afford a better test of art interest. Most South American capitals are provided with at least one which is evidence of a worthy effort to preserve the art treasures of the country. Except for the one in Buenos Aires, which is hardly a credit to a city of its population and wealth, South American art museums are about on a par with those in American cities of similar size. Rio's is perhaps the most impressive, but the Metropolitan in New York is quite another thing. And there must be at least ten others in this country which are without equals below the Equator.

In music the honors belong undoubtedly to the South Americans. The love of music and an ability to sing or to perform on some instrument are far more common; once again the Spanish and Italian blood is true to its heritage and in the New World as in the Old is an easy victor over Anglo-Saxon competition. Reservations must be made, however, in any consideration of opera and symphony. No symphony orchestra in all South America is more than a pale reflection of any one of the half-dozen great orchestras in the United States. Opera at the Colon Theatre in Buenos Aires is beautifully housed and splendidly done. The theatre itself is far superior to New York's Metropolitan, and some tastes will prefer it to the Civic Opera in Chicago. The performances are not inferior at the northern houses, and the length of the season and the average of attendance are quite comparable.

Literature, likewise, is beyond the reach of acceptable standards for comparison. If French and Spanish literature is more "literary" than English or American literature, then the upper strata of society in the South American countries are more "literary" than corresponding groups in the United States. If the consumption of print paper is to be taken as a measure, we use vastly more than all South America. Argentina uses more than all of the rest of the continent. If the criterion is the number of world-resounding voices, our greater age gives us an appreciable lead.

"Things of the soul" are certainly beyond the possibility of accurate appraisal. If religion is to be included, there is a wide divergence among the South American countries. In some the church is a powerful factor in the national life; in others it has been rigidly restricted to the spiritual sphere. As far as a stranger can judge, the actual influence of religion in the lives of South Americans is about what one would expect; many people are very devout, others irreligious, while between are all degrees of piety or impiety.

If the satisfaction derived from doing good for one's fellowmen may be classed among the things of the soul, the enormous volume of private benefactions in the United States must not be overlooked. In South America, universities, hospitals, museums and all the equipment of social work are almost universally government undertakings. Some of the universities have endowments, but their origin was in gifts from the crown or from the government. Privately endowed colleges, universities, museums or other institutions are rare. For the most part these agencies of social expression are State-supported. Even the opera is supported by the State.

The whole range of beneficent activities carried on by our great eleemosynary endowments—scientific research, medical experimentation, health and sanitation, child welfare, historical and economic investigation, peace advancement and similar activities designed to promote human welfare—are practically without parallel in the States of South America. Here and there one finds the beginnings of effort along this line, but they are only beginnings. The lack is not due entirely to the lesser wealth of the South American countries. Argentina, and to an extent Brazil, have families of outstanding wealth, but their benefactions have not found expression in such endowments as in the United States, even on a scale commensurate with the means available. It must not be forgotten, however, that fifty years ago such organizations did not exist in the United States. Not that the South American republics are fifty years behind the United States; some of them are more, others are less. In each of these republics are certain phases of life which are ultra-modern, while some are perhaps more than fifty years out of date.

Culture follows closely economics throughout South America. In spite of the charm and grace of a small élite in Bolivia and Paraguay, and the larger sphere of cultural activities in Lima and Montevideo, only the fanatically patriotic would refuse to recognize that there still is a wider opportunity for esthetic enjoyment in Santiago. Santiago, in turn, recognizes the more advanced position of Buenos Aires and Rio. And in Buenos Aires one is frequently told that that city is far in the lead. One hears little of the matter in Rio, but leaves with a suspicion that perhaps a distinguishing mark of culture is the avoidance of any reference to it.

American Advancement in 1931

By HORACE DEMING BARCLAY

HISTORIANS are now pretty well in agreement about their function. It is nothing less than to make their record of the past coextensive with the whole range of human activities. Otherwise history cannot give us a faithful account of a nation's development. But this involves labor so many-sided that the historian's task becomes one of ever increasing perplexity. It is all very well for him to say with the Roman sage that nothing human is alien to him, but how is he to weave into his narrative all that is of importance in the life of a nation—its political and industrial changes, its progress in the arts and sciences, its shifting ideas in philosophy and morals, its social behavior—in short, everything that has its part in the sum-total that we call life?

How multifarious are the activities of just one people, our own people of the United States, and how difficult it is to fashion out of the mass of information a cohesive story relating to those activities in the course of even one year, was impressed on the present writer when in an idle moment he picked up a volume just issued from the press entitled *The American Year Book: A Record of Events and Progress* for the year 1931. Here in more than 900 closely printed pages was a truly amazing attempt to tell the story of what we were doing—or what was happening to us—during a year still vividly fresh in our memories, though one which we should be glad to forget because of the business depression which laid its hand on us still more heavily than it had in 1930. Turning over the pages of this work —for obviously it is not a book to read through at a sitting, but rather to keep at hand for purposes of reference—one is struck by the thought that after all the American people as a whole have kept on working at the things that are making us a civilized nation, depression or no depression.

In a scientific age it is natural that our minds should turn to the nearly 200 pages of the section headed "Science—Principles and Application," and note what our mathematicians and astronomers, physicists and chemists, biologists and medical experts, and engineers and technologists were doing in 1931. And it is wonderful to read the record of what they achieved in one short year. No doubt their research work explains why in the mathematical field alone no fewer than a dozen leading foreign scientists, including Albert Einstein and Willem de Sitter, visited this country.

That word "application" with reference to science is perhaps more significant than it seems at first sight. Applied science means improved methods in industry, and they in turn unfortunately—under present conditions, at any rate—lead to one of the great underlying truths of our present social disorder, the fact that modern civilized nations require an ever diminishing proportion of their people to perform all the labor required by the community as a whole. That helps to explain one of the fundamental causes of the depression by which the year 1931 will be remembered. Yet it would be ridiculous to think of curbing scientific research and the application of its results to industry.

Naturally, to most of us who are concerned with politics and business,

the sections of The American Year Book which will prove of most service from day to day are those given over to that very wide range of activities. A good deal in these 500 pages must necessarily make melancholy reading. If business has been bad, politics can hardly be said to have been helpful. Nevertheless, we need to have the wretched facts, even if it be only for the purpose of comparing them with the better conditions which those of us who refuse to be pessimists believe must return, though no one at the moment is so foolish as to predict when the recovery will begin.

There is a Chinese proverb to the effect that true things are not pleasant and pleasant things are not true. This may be a little too sweeping, as are a good many other generalizations that have attained the status of the proverbial. Yet this veracious and comprehensive record of a year, which blinks at nothing if only it will help to tell the story, cannot spare us the facts about crime conditions, poverty, unemployment and other matters which make it clear that we still have a good many tasks on our hands before American civilization rises to the level where we demand it should be. Nevertheless, along with these true and unpleasant facts we find others that are also true but pleasant—the evidence of the many efforts being made by all sorts of organizations to cope with social difficulties and to eliminate the unnecessary sufferings of individuals which are at the same time a loss to the community.

Of course, in any account of a year's events, considerable space must be allotted to politics. In such a nation as the United States that necessitates surveys of happenings in a Federal capital with its multitudinous bureaus and in the capitals of forty-eight individual—and we used to maintain—sovereign States. And here again our year book—a "hardy annual," we are beginning to think it should be called—impresses us with something of the immensity and complexity of the things that keep so many minds busy. All these processes of government make it very evident that we are certainly a thoroughly if not well governed people.

Since we are slowly, but let us hope surely, becoming really internationally minded, this year book of ours awakens us anew to the increasing importance of foreign relations. The pressure of busy life keeps most people from close study of all that occurs in this realm, for it is no less crowded than the others. Yet it is well to note how at one moment the American attitude upon foreign debts attracts attention, a little later the Far Eastern imbroglio and all that it might mean to this nation, and then disarmament, and still again negotiations for the St. Lawrence waterway. Somehow, a good memory will keep track of these questions, but what, for example, of the actual organization of our far-flung foreign service, or American relations with countries which seldom appear on the front page of our papers, or American cooperation with the many international organizations which are part of world society? Again this year book does not fail us. The facts are here, and they make the heart of one who after all has a tiny spark of imperialist sentiment, swell with justifiable pride that the United States is playing its part in this troubled world of ours.

A political or governmental function which concerns us all more immediately than the subject of the foreign service is taxation—not an exciting subject, in spite of its importance. Yet, somehow, as one reads the brief, concise accounts of the working of the American agencies of taxation interest—almost in spite of itself—is kindled. Possibly in the survey of American revenues during 1931 there may be indications of the probable trend in the incidence of taxation. For instance, we learn that North Carolina actually reduced the real property tax by $12,250,000; is that of significance? Also in the discussion of local taxa-

tion there seems to be evidence of a tendency toward consolidation of functions with savings that have made possible reduction in tax rates. Of late the cost of government has been mounting so steadily that in many minds has arisen the thought that perhaps modern democracy was proving inefficient and too costly to be worth all we are paying for it. But there is a gleam of hope. This annual survey of governmental costs and revenues indicates that possibly democracy is going to justify the cost.

As we keep on turning over the pages of this volume we suddenly realize that we have at last found something we long have wanted—a bombshell to hurl at the foreign critics of America. For more than a century visitors from other lands have come among us to appraise our civilization. Some have been useful commentators, and we have benefited by their observations. But there is a much more numerous tribe made up of those who help to spread the notion throughout the world that America has no culture, no art, no regard for the intellectual life or anything that makes man something more than a creature of his appetites. That is an old story, and one has often wished for concrete evidence to show how monstrously unfair it was.

But now, thanks to the editors of *The American Year Book* and their corps of more than 200 contributors, we have the ammunition for a most devastating counteroffensive. Consider that particular accusation that America is unconcerned about things intellectual and turn to the pages where we find the work done in philosophy alone in the one year of 1931. Not only did it include the publication of books by John Dewey and Morris R. Cohen, who undoubtedly rank high among thinkers the world over, but also it saw the issue of the first volume of C. A. Peirce's *Collected Papers*. Peirce was the first original philosophical mind that America has produced. From him William James, Dewey and many others have learned, and his influence is still important.

We may turn from the considerable record of American philosophy in 1931 to the work of the psychologists. Psychology may not be a science in the strict sense, but in no country in the world is the attempt to make it one being pursued with more vigor and resourcefulness than in America. Among those who know this field of intellectual activity there is at least one school that sees in the ideas of J. B. Watson one of the most promising efforts yet made toward raising psychology to the position of a true science. It is significant of European ignorance of what America is doing that only recently have European thinkers become alive to the value of Watson's suggestions.

There is one section of *The American Year Book* for the title of which the present writer is grateful to the editors. It is "The Humanities." The man who first thought of calling the study of literature and art by that fine old name, who first realized that letters meant nothing if we did not become humanized in the process of study, had a vision by which we are bold enough to say an increasing number of our people are learning to live. And so, if it is necessary to tell some disdainful European what America was achieving during the depressing year 1931 in the various branches of intellectual labor which fall under the heading of "The Humanities," refer him to *The American Year Book*. Incidentally, he will discover that in spite of all our utilitarian and materialistic ways Greek is still being studied with enthusiasm and that there really are Americans that take a delight in making new translations of Homer and Aristophanes.

When we get down to practical steps for the spread of interest in cultural and intellectual things, we find, in spite of the depression, a most impressive report of what the libraries of the United States are doing. Is it not amazing that in the period be-

tween 1923 and 1929 there was an increase of 33,500,000 books in those public libraries which have collections of not less than 3,000 volumes? This made us also wonder how many libraries there might be of less than 3,000 volumes and how it could be possible to estimate the growth of the library in the home, for people have been buying more books in the past decade than ever before. The business depression, it would seem, has in no small degree stimulated interest in the more serious kinds of books, though it may have temporarily checked the incentive to purchase through the past year. The libraries supply 162,000,000 volumes to the public, or 1 1-3 books to every human being in the United States. And thus, who can justly say we are so unregenerately utilitarian and materialistic?

The main purpose of *The American Year Book* is, of course, that of a book of reference. It is a vast compendium of facts about a single year of a nation's life. But in refreshing his memory by spending a leisurely hour skimming through its pages, the present writer discovered that the uses to which the book could be put are not alone those the editors had in mind. The year it deals with was not one of the happiest in our history, but the record shows that the fundamental urge to make something better of American life is stronger than ever. The record is thick with signs of promise. And so it seems that there will yet emerge out of all our troubles and shortcomings a truly splendid civilization. In fact, when we think of all the opportunities we have, we can see no reason why it should not be the highest civilization the world has yet seen. The ability to engender that feeling is a genuine achievement for a sober book of facts, for it records impassively what America has done—not left undone—and in a time like this that is both consolation and—encouragement.

Salvaging the Danubian States

By FREDERIC AUSTIN OGG
Author of "The Economic Development of Modern Europe"

INTO European discussions of disarmament, war debts and reparations there have been injected in recent weeks proposals for alleviation of the plight which has overtaken the group of States situated wholly or mainly in the Danube Valley. The League, as well as individual important nations, has discussed the matter. The idea of a series of economic agreements as a means of overcoming the steadily multiplying difficulties has, of course, no novelty. Something of the kind has been talked about off and on since almost immediately after the war.

Suggestions that came originally from the British Government in February of this year, however, followed by vigorous and challenging activity on the part of Premier Tardieu of France, converted a nebulous subject of academic debate into a fairly definite program of action, and led straight to the widely heralded conference of Premiers Tardieu and MacDonald in London on April 4, followed by a four-power conference of British, French, German and Italian representatives. This larger gathering took place in response to a British invitation, accepted eagerly by Germany and Italy, less so by France, which would have preferred to manage the matter single-handed or, at all events, with Great Britain alone.

But it was apparent nearly as soon as the delegates assembled in London on April 6 that no resolution of the problem would be achieved and the parley ended on April 8 without any result whatever and without any plan for resuming discussions. Great Britain and France, speaking through Prime Minister MacDonald and P. E. Flandin, Minister of Finance, respectively, were agreed that Czechoslovakia, Austria, Hungary, Rumania and Yugoslavia should lower all interacting tariffs by at least 10 per cent, in order to promote the exchange of their products and to revive their stagnant trade. It was further proposed that they should abolish all quotas and other economic devices now hampering trade among themselves. Outside countries were to renounce their rights under most-favored-nation clauses, and existing tariffs against these outside countries were not to be raised. In addition, outside countries were to give unilateral preference to exports of Danubian agricultural products, although not to manufactured goods—that is to say, tariffs against Danubian farm products would be reduced without reciprocal reductions on manufactured exports to the Danubian States. Finally, $40,000,000 was to be advanced to the Danubian countries to meet immediate emergencies, the loan to be guaranteed by the four powers themselves.

B. W. von Buelow, the German delegate, and Foreign Minister Grandi, representing Italy, flatly refused to accept the plan on the ground that it would not help the Danubian situation and would needlessly add to the economic difficulties of their own countries. Thereupon the conference broke up, with the statement that "a number of economic points have emerged which call for further examination and information," and that "each of

the four governments has agreed to address to the other three as soon as possible a considered statement of its views." Obviously, this meant an indefinite adjournment.

Before the World War there were five Danubian countries—Austria and Hungary (comprising the Dual Monarchy), Serbia, Bulgaria and Rumania. As the map was redrawn, first by revolutions and afterward by the treaties of St. Germain and Trianon, the number was increased to six—Austria, Hungary, Czechoslovakia, Yugoslavia, Rumania and Bulgaria. The first three were carved entirely out of the territory of the old Dual Monarchy. Yugoslavia and Rumania received large areas from the same source. Only Bulgaria, actually reduced in size, lay wholly outside; primarily for this reason, though a Danubian State and fearful of the consequences of isolation, Bulgaria has no place in any Danubian union thus far envisaged. The union of which M. Tardieu, Mr. MacDonald and others have been thinking embraces only the "Succession States," so as to restore as much as possible of the economic interrelationship and solidarity which they lost upon becoming politically separate.

The irony of the Danubian situation is that the political freedom for which subject nationalities of the old Dual Monarchy so long and stubbornly contended—added, of course, to the effects of a world-wide depression—has been mainly responsible for their present economic plight. Before the war, Austria-Hungary, though a racial and linguistical patchwork, enjoyed a high degree of economic integration, and with it considerable prosperity. Tariff walls restricted trade with the outside world, but the industrial areas found good markets in the agricultural parts of the empire, which in turn sold their products readily in the factory towns. The Dual Monarchy, with almost exactly the same number of people that the five Succession States now contain, was thus a little economic world in itself.

As soon as the political map was redrawn after the war, five independent States were faced with the problem of developing their own separate economic systems. For Austria, Hungary and Czechoslovakia the task was to fabricate a new system from the ground up; for Yugoslavia and Rumania it was rather to absorb the segments of territory that had fallen to them into systems which had already developed as independent kingdoms. In each case the result was the same. Actuated by a strong desire for political independence, and accustomed to link political subjection with economic domination, each State permitted political nationalism to carry it to extreme economic nationalism.

In setting out to become completely independent, economically as well as politically, the five Danubian States resolved themselves into so many rival economic units at war with one another. Free trade or low tariff areas were surrounded from 1921 onward, and especially after 1924-25, with prohibitive tariff walls—literally thousands of miles of new tariff frontiers. Express trains now take three hours longer than before the war to cover the 300 miles from Vienna to Cracow because of new stops for customs examinations; between Budapest and Czernowitz (450 miles) six frontiers are crossed, with a customs barrier at each. The manufactures of Austria and Czechoslovakia no longer move with any facility to Hungary; the Hungarian peasant's grain no longer finds its easy pre-war outlets. Consequently the peoples of the five States that formerly dealt chiefly with one another now trade principally with Germany, Italy and other non-Danubian countries. By 1925 only 43 per cent of the trade of the five States was with one another, by 1930 only 35 per cent, and the ratio is still declining. The two industrial States, Austria and Czechoslovakia, annually import agricultural products worth

$900,000,000, but the three agricultural States, Hungary, Yugoslavia and Rumania, can dispose of little of their $450,000,000 worth of surplus farm products there; conversely, the industrial export surplus of the first two States finds little access to the markets of the other three, although they annually absorb $500,000,000 worth of foreign manufactures.

In furtherance of economic independence, States formerly almost wholly agricultural—Hungary, Rumania and Yugoslavia — deliberately embarked upon a program of industrialization. For this there may have been good reasons, such as the desire for economic diversification and for greater ability of defense in time of war, besides considerations of general national prestige. But the effect was to stimulate demand for the protection of infant industries and to raise up interests whose only chance of survival seemed to lie in continued protection by ever mounting tariffs and other devices of economic nationalism. Until now this development has not gone far owing to lack of capital and general economic insecurity. But its significance lies not so much in the number of new plants or value of output as in the frame of mind it reflects and its influence upon national attitudes and policies. Effects already apparent include retaliatory intensification of agriculture in the industrial States, particularly Czechoslovakia, which, in so far as successful, diminishes markets for foodstuffs from abroad and increases prices of manufactures to consumers in the industrializing countries. The policy may eventually be justifiable, but at a time when their basic interest—agriculture —is in a critical condition, Hungary, Yugoslavia and Rumania are making a bad situation worse by artificially stimulating and maintaining industries for which they are not naturally fitted.

The recent conference in London to establish a Danubian economic union represents but one of many attempts made to curb the isolation policies of the past decade. The Pontorose conference of 1921 drew up a protocol for freedom of trade among the States occupying the lands of the former Dual Monarchy, but no government was willing to ratify it. Four years later Austria sought a preferential tariff régime with Czechoslovakia, but Italy insisted on being a party, and the project failed. In the same year (1925) an unofficial Central European economic conference, held at Vienna under Austrian initiative, proposed a permanent commission to prepare the ground for a Central European economic union. Nothing came of the suggestion, or of similar proposals by a number of later conferences. More recently—apart from the British-French proposals of February and March—the idea of economic union has been urged by a conference held on Feb. 12 at Brno, Czechoslovakia, by representatives of four States called together by the Central European Institute and affiliated bodies, and by the Financial Committee of the League of Nations in its thought-provoking report, submitted to the League Council on April 1, on the financial situation of Austria, Hungary, Bulgaria and Greece.

Although originally disposed to make the formation of a tariff union the prerequisite to financial assistance, the Financial Committee of the League was obliged to recognize that such relief could not safely be allowed to await completion of tedious and—as it developed—futile negotiations on the union project, with Hungary already operating under a moratorium, Bulgaria and Greece hesitating on the brink, and Austria certain to travel the same road unless heroic measures were soon taken.

Thus it was that such experts as Norman H. Davis and Robert E. Olds, Sir Otto E. Niemeyer, Sir Henry Strakosch and Dr. Kempner in Paris on March 3 attended a meeting expected to last only about a week, but

requiring, in point of fact, almost a month. Confronted with the problem of how financial support can be found for countries whose credits are exhausted and yet who must have money, and with the no less difficult question of the inviolability and priority of League loans, the committee found its task made heavier by incessant pressure from governments—particularly those of Bulgaria and Greece—for definite promises and for instant relief, as well as by the fact that even in France private investors have become chary of putting more money into intergovernmental loans.

The committee's arduously wrought report pronounced the strain on the embarrassed countries a consequence largely of world conditions whose future course cannot be predicted. No present hope was held out for more than palliatives "to gain a breathing space" and "to arrest the present tendencies to disaster." Governments were told that they must stop strangling trade by raising tariffs, that general budget reductions must be carried out, that expenditures on armaments must be curtailed. Without mention of any specific scheme, the idea of a Danubian economic union was warmly endorsed. Finally, certain "small help" for four of the States was urgently advocated with a view to averting "the necessity for much more far-reaching and difficult assistance later."

Bulgaria was recommended to reduce by 50 per cent the service on her external debt from April to September, when (provided the budget is balanced and League control tightened) her situation would be re-examined. In anticipation of some such recommendation, a Cabinet council at Sofia, after an all-night session, decided on March 16 not to declare a general moratorium, and also to pay interest amounting to $320,000 due on foreign indebtedness on the previous day. Then, on March 29, without waiting for League action finally to be taken, the government announced through Premier Mushanov, a 50 per cent moratorium on all external debts for six months. Money thus released was to be devoted to balancing the budget.

For Greece the committee's recommendation was that while service on the external debt should be maintained, amortization of existing loans should be suspended and a new loan of not more than $10,000,000 made. Premier Venizelos, declaring that he could not assume responsibility for the payment of $1,875,000 due for interest and amortization on April 1, had indicated that he would resign unless the committee agreed not only to a five-year moratorium on payments on the foreign as well as the domestic debt, but also to a loan of $50,000,000 from Great Britain and France. Dissatisfied with the partial relief proposed, Venizelos carried out his threat; but after the People's party refused to join in forming a coalition Cabinet, he announced on March 29 that he had consented to remain at his post.

As for Hungary—where, on April 1, it was reported that national expenditures had exceeded the budget by $7,500,000 for the first half of the fiscal year—the committee admitted that the existing moratorium should continue, pending an improvement of the economic situation which would permit a new arrangement with creditors.

Finally, in the case of Austria, the necessity of a $14,000,000 loan was stressed in order to tide the country over its present crisis without forcing it to suspend service on its foreign loans. As a condition for future grants of money the committee insisted not only that League control be strengthened but that League loans be accorded absolute priority.

The League Council was scheduled to meet on April 12 for consideration of the committee's recommendations, and at this writing the decision had not been reported. The failure of the

ındon Conference has not necessarily omed the proposed economic union, wever, for it should be remembered at the outlook for such a union is pendent primarily on the attitude the five Succession States that esumably would belong to it.

The State which most desires some ıd of union is Austria, for none has en put in a more difficult situation the peace treaties and their afterıth of isolationist economic policy. ıstrian opinion seems to remain prenderantly favorable to forming a stoms union with Germany. But, the *ıschluss* having, for the time being least, become impossible, a Danubı union is strongly supported as an ernative. Through it, the truncated public would regain easy access to e markets and to the sources of odstuffs, fuel and raw materials of e eastern parts of the old Dual Monchy, while obliged to reshape her esent economic system less drasally than any of her co-partners.

Agricultural Hungary, in seeking to velop herself as a self-sufficing ecomic entity, has of late made the otection of industries the main jective of her tariff policy. She is ginning to realize that for a long ne to come her huge agricultural rplus cannot be absorbed by an dustrial population, which at best ll grow but slowly. With agricultural Rumania and Yugoslavia in the ion, and with Czechoslovakia and ıstria seeking to develop their own riculture, Hungary, however, doubts ıether any mere Danubian confedation can solve her problem. Prime inister Karolyi and Foreign Minister alko are definitely on record for the inciple of economic rapprochement. ıt Hungary would prefer some form union extending beyond any or all e Danubian States and probably inıding Germany, with whom she has tually just concluded a treaty under ıich her farm products will be aditted to the Reich at preferential tes.

Yugoslavia and Rumania hold to somewhat the same point of view as Hungary. Both are animated by an intense nationalism which expresses itself in a stronger desire for economic relations outside the Danube sphere than inside it. In spite of political differences, Yugoslavia's principal foreign market is Italy and, like Hungary, she does not see any great prospect of increased outlets for farm products in the limited food-importing sections of the proposed union. Her hope lies, rather, in the larger countries of Northern and Western Europe which at present import foodstuffs from overseas. Rumania's position is practically the same, and both States, though favorable in principle to the British-French proposals, feel little need for anything more than can be attained through ordinary bilateral commercial treaties with the other Danubian States.

Czechoslovakia is even more skeptical. Premier Udrzl has referred to the recent proposals as "fantastic" and as merely foreign "trial balloons," and though Foreign Minister Benes has declared his country's willingness to cooperate for closer economic relations in Central Europe, the language which he employed was interpreted in some quarters as an invitation to Germany to block a plan of French sponsorship which Czechoslovakia would not care to sabotage directly. Since her future export trade manifestly looks to Central and Western Europe and overseas countries rather than the Danubian States, Czechoslovakia would welcome a regional preferential régime in the latter area but doubts its advantage to her, and certainly is not interested in a complete economic union, which she regards as an impossibility, for political if no other reasons. Of all Danubian States, Czechoslovakia is most hostile to anything savoring of resuscitation of the Dual Monarchy in any form; like Yugoslavia and Rumania, she is unable to envisage an economic union

wholly compatible with full national sovereignty.

One would thus conclude that, with the Danubian States left to their own devices, there could be no union—at least none beyond such as would result from a casual and hazardous network of separate bilateral treaties. But the drama of European economic rehabilitation is unfolding on a larger stage than merely the Danube Valley. The economic fortunes of Austria, Hungary and the rest are bound up with those of Europe, and even of the world. The four great powers of Central and Western Europe—France, Great Britain, Germany and Italy—are vitally interested, and so is the League of Nations. Three of these powers are signatories of the peace treaties which affect the Danubian States, and all have most-favored-nation commercial agreements with these States, necessitating special consent before arrangements involving exceptions can be made. Moreover, the powers and the League are not only interested, but active and determined; and they have the whip-hand. Two of the five Danubian States—Austria and Hungary—are financially in an extremely bad way. Two others—Yugoslavia and Rumania—keep going only with the aid of foreign loans. Even Czechoslovakia, the most favorably situated of the five, has lately had to resort afresh to the bankers of France. Sheer financial necessity may compel decisions that would never be taken voluntarily.

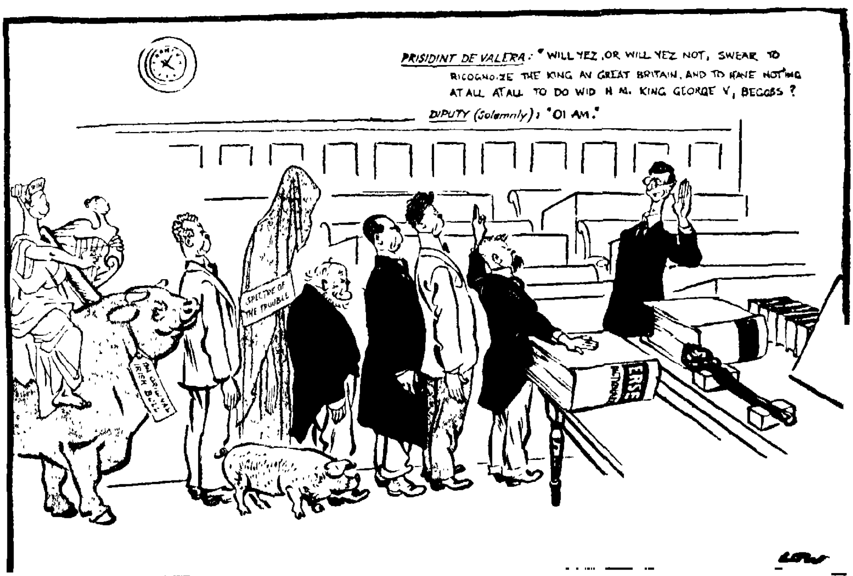
The obstacles are, however, weighty. Apart from the hesitancy of four of the five Danubian States themselves, due to post-war nationalism and differing opinions about the efficacy of the plans proposed, there are four serious obstacles. The first is the difficulty of the form that an economic union should take. Should it, according to France's rejected proposal, consist merely of a system of all-round preferential tariffs, with a full-fledged customs union as an ultimate goal, or should it, as Britain proposed, be such a union, operating from the start in a restored free-trade area? And what agency should be empowered to devise a detailed plan—the European Commission of the League or some other League arm, or a conference or other body set up by the five States themselves? A second obstacle is the inevitable dissatisfaction in neighboring States, notably Poland and Bulgaria, unless their interests are recognized equally with those of the Danubian States. Both Poland and Bulgaria wish to be included, and the Bulgarian plea has been endorsed by the League's Finance Committee. A third difficulty is that making the Succession States once more an economic entity would cause almost as great a dislocation of existing relationships as did the dismemberment of the peace treaties, so that gains in one direction would, for the present at least, be losses in another.

Finally, perhaps the most serious obstacle is that such a problem unfortunately cannot be dealt with on its merits apart from political considerations. In Berlin and Rome, recurring French interest in a Danubian union has always been and still is, as events in London showed, construed as a desire to clamp a French hegemony more firmly on Central Europe. Hence the British Government, which has similar misgivings, urged a four-power conference, participated in by Germany and Italy, so that neither Britain and France nor certainly France alone should seem to be pushing the matter to the exclusion of other legitimate interests. Counter-charges that Britain is seeking to regain her prestige abroad, and even to "dominate" Europe, have helped to blur the issue. An anxious world will be fortunate if eventual Danubian rehabilitation does not come to grief, as did the recent conference, in the quicksands of international jealousies and recriminations.

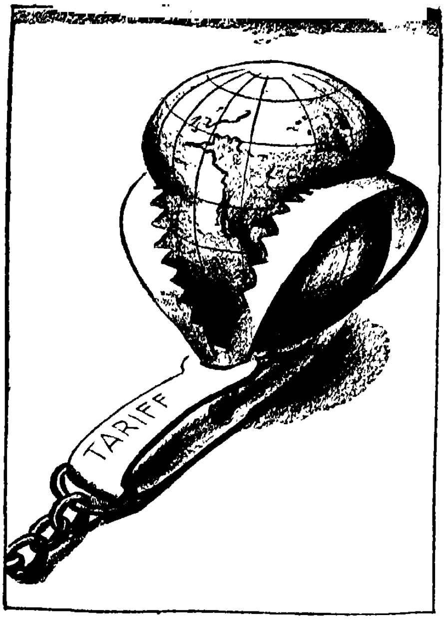
Current History In Cartoons



CUTTING IN
—*London Evening Standard*



ADMINISTERING THE OATH AT DUBLIN PARLIAMENT
—*London Evening Standard*



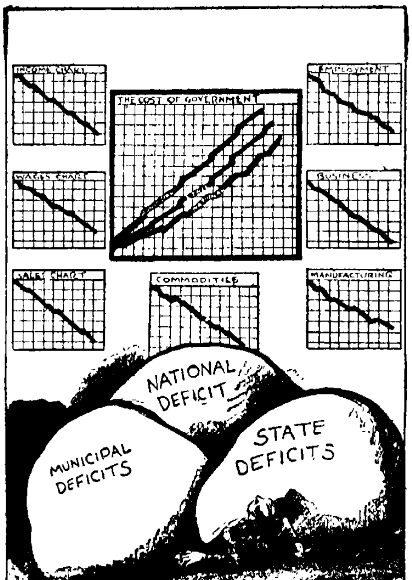
CAUGHT!
—St. Louis Post-Dispatch



THIS IS GOING TO BE GOOD FOR ME
—Brooklyn Eagle



OLD ENOUGH TO BE TOLD, NOW
—New York Herald Tribune



AGAINST THE TREND
—Boston Herald



AFTER THE NEXT WAR
Sole survivors, the League of Nations delegates refer the 957th disarmament proposal to a mixed commission
—*Simplicissimus*, Munich



A FRACTIOUS CHILD
Hindenburg: "Nein, nein! Mustn't play with naughty guns!"
—*Boston Herald*



BRITISH TRADE PREFERS NOT TO REMARRY GOLDIE
—*London Daily Herald*



GOING OR COMING?
—*Oakland Tribune*



FOR MEDICINAL USE ONLY
—Cleveland Press



PROHIBITION SOCCER
—St. Louis Post-Dispatch



WOULD THIS BE "INDEPENDENCE"?
—New York Evening Post

A Month's World History

International Hopes and Fears

By JAMES THAYER GEROULD
Princeton University; Current History Associate

NEITHER a prophet nor the son of a prophet is needed to predict that the coming two or three months will witness events which will determine whether the economic life of the world is to start on the road to recovery or is to take a turning that may lead to anarchy and such general distress as history has never known. Already 8,000,000 Americans are without work, 6,000,000 Germans, nearly 3,000,000 Britishers. With the exception of Russia, the same thing is relatively the case in every nation that calls itself civilized. We are paying for the war, and even more for the frenzied results of passion and greed which followed it. In place of a remedy political leaders have nothing to offer except either higher tariffs, quotas and trade restrictions—the nostrums that have been, and still are, responsible for so much suffering—or nationalistic programs that range from the impossible to the vicious.

War debts and reparations, excessive expenditures on government and on armament, tariff barriers and unjust treaties, the maintenance of national prestige that rests on the assertion of power—all have contributed to create a condition that is little short of catastrophic. There is no doubt as to the causes, but there is no effective leadership in providing a remedy. No one of the national and international problems involved can be solved separately. Disarmament waits on security, and that, so it is claimed, on the maintenance of the boundaries established by the peace treaties. The relation of war debts and reparations is an article of faith in all the allied countries, and reparations cannot be paid because of tariffs.

The key to the European situation is in the hands of Great Britain and France, and neither nation can use it alone. The end which the two nations seek is the same, but they cannot agree on the method of approach. Conversations have been going on for months, but as yet without result. The British Government believes that reparations and war debts are largely responsible for the breakdown of international exchange and of the gold standard and for the deflation of world prices that has accompanied it. Great Britain is quite willing to cancel the debts and to cut its losses—if necessary, without the cooperation of the United States. It regards the present situation in Germany as a

menace to all Europe. The restoration of that country would mean not only freedom from present danger, but larger markets for British goods and the salvaging of the large investment made in German industry. British public opinion is, moreover, distrustful of France and the use she is making of her political and financial power. With her self-confidence somewhat restored by the events of the last few weeks, Great Britain seeks to regain her former influence in Continental politics and a more even balance of power.

France, on the other hand, while equally concerned about the economic and financial situation, is still not ready to loosen her hold on Germany. She recognizes that potentially her former enemy is economically the stronger nation, and that, freed from reparations and other penalties established by the Versailles treaty, her own European position would be threatened. Still greater is her fear lest any concessions on her part, involving a revision of the treaty, should be the signal for attempts at territorial readjustment that would be a serious menace to peace. By no possible revision of boundaries can all the minorities be satisfied. What is needed is a period of calm, during which the Germans in Poland and the Hungarians in Rumania and Yugoslavia may become adjusted to alien rule. France forgets, conveniently, Alsace-Lorraine. For the present, possibly for a period of years, she is willing to forego cash payments by Germany, provided that the principle of reparations is maintained. As for her obligations to the United States, the vague suggestions coming from Washington of a possible revision following a settlement of the reparations question leave her quite cold.

Notwithstanding all this, there is a clear recognition that something must be done. The recent discussions in London incident to the proposed Danubian union (see Professor Ogg's article on pages 191-196 of this issue) gave a clue as to what this can be. What follows may depend on the results of the French elections in May. If the French vote swings toward the Left, as seems likely, and if, in the interim, nothing happens in Germany to inflame French suspicions, the Lausanne conference in June may be a success.

THE DISARMAMENT CONFERENCE

After a month spent in necessary preliminary discussion the disarmament conference got down to business on March 8 with the adoption of a series of rules which determine the method by which it is to deal with the twenty-four main questions of principle which are on its agenda. Some of them must be discussed in detail by the General Commission or the Political Commission before they are in shape for the technical committees; others need only a brief consideration before they are passed on; problems of a third sort are handled first by the technical committees, and the result referred back to the General Commission; still others must be solved by direct negotiation between two or more delegations.

The Military and the Naval Commissions held their first meetings on March 9. Something of the difficulty under which they labor is due to the varying practice in the use of words. What, as a matter of fact, is an "effective"? Usage differs, and the Preparatory Commission does not appear to have found an answer to the question. Nevertheless, an exact definition must be accepted by all before there can be intelligent discussion of limitation of these "effectives." Add to this difficulty the fact that decisions already reached by the Preparatory Commission may be called into question, and the situation becomes even more complex. Article XX of the draft convention, for example, specifically forbids a country in

which a war vessel is being constructed on the order of a foreign power to seize and use the vessel in the event of war. The British delegate, Admiral Pound, tried to upset this on the ground that in an emergency no nation would keep its word, but after a vigorous speech by Senator Swanson, which was supported by the French, Italian and Japanese delegates, the article was adopted. There was similar action on Article XVII, which forbids the acquisition or construction of any vessel of war which in displacement or armament exceeds the limits agreed upon, and on Article XXI, which provides that every power is obliged not to transfer any of its vessels of war "in such a manner that such vessel may become a vessel of war in the navy of any foreign power." For motives of economy, there is a general demand that the rules for replacement, as laid down in Annex IV of the draft convention, should be revised so as to lengthen the life of warships.

On March 19 the conference adjourned until April 11, though the interval was to be employed by many of the delegations in a more exact formulation of their proposals and in relating them to similar suggestions made by the other delegations. Meanwhile, the decision of Secretary Stimson to go to Geneva to take his place for a short time with the American delegation was looked upon, both in this country and abroad, as a distinctly encouraging event.

A possible addition to the American program is that contained in the Fish resolution, reported by the Foreign Affairs Committee of the House on March 16. By its terms the delegation is "requested to propose a multilateral agreement renouncing the sale or export of arms, munitions or implements of war to any foreign nation." Such action, either by Congress or by the disarmament conference, is certain to meet the determined opposition of those sinister forces which, just underneath the surface, are doing their utmost to prevent any effective control of armament.

THE UNITED STATES AND THE LEAGUE

Secretary Stimson's letter to Mr. Borah on American policy in the Far East (printed in full in the April issue of this magazine), coupled with his identic notes to China and Japan on Jan. 7 and his statement on March 11, represents a development in the foreign policy of the United States more significant than is generally realized. While all these documents deal with the Far Eastern situation, the principle enunciated must be of general application. What Mr. Stimson has done is nothing less than to range the United States alongside the League in defense of "the territorial integrity and political independence" of the nations signatory to the Pact of Paris. He does not use these words; they stand written in Article X of the covenant of the League. But his meaning is quite clear. He has done more than this, for he has added a new sanction to those enumerated in Article XVI.

In the notes of Jan. 7, Secretary Stimson asserted that the United States Government "does not intend to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenant and obligations of the Pact of Paris of Aug. 27, 1928." In the letter to Mr. Borah, speaking both of the Nine Power Treaty and of the Pact of Paris, he says: "These two treaties represent independent but harmonious steps taken for the purpose of aligning the conscience and public opinion of the world in favor of a system of orderly development by the law of nations, including the settlement of all controversies by methods of justice and peace instead of by arbitrary force." Later in the letter, referring to the notes of Jan. 7, he says: "If a similar decision should be reached and a similar position taken by the other governments of the world, a

caveat will be placed upon such action [violation of the two treaties] which, we believe, will effectively bar the legality hereafter of any title or right sought to be obtained by pressure or treaty violation."

This was plainly an invitation to the League to formulate a "similar decision," and the Assembly did this in its resolution of March 11, which was passed unanimously, except for the abstention of China and Japan. As, according to the rules, members who do not vote are regarded as absent, legally the decision was unanimous. The resolution opens with an affirmation of the principle of the scrupulous respect for treaties and an assertion that the provisions of the covenant are entirely applicable to the present dispute, including specifically the Manchurian question. It then restates the principle contained in the resolution of the Council of Feb. 16 (see CURRENT HISTORY for March, page 54), which definitely refers both to Article X of the covenant and to the Pact of Paris, and is to the effect that "no infringement of the territorial integrity and no change in the political independence of any member of the League, brought about in violation of Article X, ought to be regarded as valid." The Pact of Paris is again invoked, not only as strengthening the League position, but obviously for the purpose of leaving no doubt as to its association with the principle enunciated by Mr. Stimson. Pending a decision that the Assembly may take following the report of the committee of nineteen, which is to attempt to bring about a cessation of hostilities, it is "incumbent on members of the League not to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenant."

Mr. Stimson's statement on the same day, following the receipt of the text of the Assembly's resolution, was one of unqualified approval. "The action of the Assembly," he said, "expresses the purpose for peace which is found in both the Pact of Paris and the covenant of the League of Nations. In this expression all the nations of the world can speak with the same voice. This action will go far toward developing into terms of international law the principles of order and justice which underlie those treaties, and the government of the United States has been glad to cooperate earnestly in this effort."

The application of this doctrine may be very far-reaching. The United States has refused to recognize the puppet government of Manchuria, but so long as the legal fiction of independence is maintained, our diplomatic relations with Japan need not be disturbed. Should Japan, however, formally annex Manchuria, as she is not likely to do, a serious question would arise as to whether it would not be necessary to withdraw our embassy. It scarcely seems possible that we could recognize one part of a country while refusing to recognize another part. Certainly the State Department would feel obliged to interpose an objection to a contemplated loan, under the present situation, to the Manchurian Government, and, in the hypothetical case, to Japan. This would be the application of an economic sanction, and the difference between an embargo on money and an embargo on goods is not very great.

Thus do events make it necessary for us, year by year, to come to a closer association with the League.

UNITED STATES AND THE WORLD COURT

The opponents of the World Court are leaving nothing undone which may delay action on the protocols which must be ratified by the United States Senate before we can adhere to the statute. Friends of the measure feel sure that if the protocols can be brought to a vote, they will pass. The tactics of those who oppose them is to prevent a favorable report by the Foreign Relations Committee. On March 16 motions for delay were made

by Senator Pittman of Nevada and Senator Lewis of Illinois. The Pittman resolution requested the President to ascertain if the signatories to the protocols had agreed that the Court cannot, without the consent of the Senate, entertain a request for an advisory opinion in a matter in which the United States claims an interest. Senator Lewis desired that further discussion should be postponed until after the close of the Disarmament Conference, when Senator Swanson can report "on the actual and true feeling" of other governments toward the United States. A group of women, calling themselves the National Woman's Party, has demanded through Senator Lewis an additional reservation, making our adherence dependent on the agreement by the Court to administer a "code of law that shall not contain inequalities based on sex."

Secretary Stimson, in reply to a request by the Foreign Relations Committee for his opinion as to whether the first protocol fully accepts the five reservations contained in the Senate resolution of 1926, addressed a letter to Mr. Borah on March 22, in which he states emphatically that he is in complete agreement with the view of Elihu Root, the author of the protocol, that the interest of the United States is protected.

If action is not secured during the present session, it is doubtful if the protocols can be brought to a vote during the short session which will open in December. In the meantime, William Randolph Hearst announces his purpose to make the November elections "a solemn referendum of the American people on the World Court."

Congress Wrestles With the Budget

By E. FRANCIS BROWN
Associate Editor, Current History

THE attention of the American people, so far as it could be diverted from individual and local problems arising from the present period of social chaos, has been concentrated during the past month upon the struggle in Congress to balance the national budget. For three months after the convening of the Seventy-second Congress in December the country was treated to the spectacle of a seemingly docile legislative body obeying without much question the bidding of its leaders and voting, regardless of party affiliation, for the program designed by the Republican Administration to rehabilitate our economic life. Probably no one should have been so naïve politically as to have expected this Congressional docility to continue for long; yet, when the House Ways and Means Committee on March 9 introduced its bill for raising enough revenue to balance the Federal budget, the country at large apparently expected that the bill would be passed quickly and easily.

The heart of the bill (see April CURRENT HISTORY, page 86) was a 2.25 per cent general manufacturers' sales tax, which was expected to raise $595,000,000 of the $1,241,000,000 needed to balance the budget. The Ways and Means Committee reported that "there is no other source of revenue which will yield the amount imperatively required with as little protest, as little annoyance and as little disturbance to business as a manufacturers' excise tax." But the committee was to be sadly disillu-

sioned. Opposition to the bill appeared in Congress immediately, and the sales tax bore the brunt of the attack. Although the bill was ostensibly a Democratic measure, since the party is in control of the House, the attack upon the bill and upon the sales tax in particular was made by Democrats. After several days of so-called sniping the Democratic leaders seemed to have the situation in hand, and, with the added support of a nation-wide appeal by Secretary of the Treasury Mills, there seemed to be little uncertainty that the bill would pass the House.

On March 16, however, a caucus of Democrats was held to organize plans for defeating the sales tax, a manoeuvre in which they were supported by the Progressive Republicans, led by Representative La Guardia of New York. The House leaders, apparently still confident that their tax proposals would be enacted, attempted to prevent the threatened mutiny among their followers, but failed completely, when, on March 18, after a stormy discussion of the bill introduced by the Ways and Means Committee, a coalition of rebellious Democrats and Republicans began to tear it to pieces. The first move was to "conscript wealth" by raising the proposed surtax rates on incomes from a maximum of 40 per cent to 65 per cent; the rate on incomes above $8,000 was raised from 5 per cent to 7 per cent. The House leaders now saw plainly that the sales tax was in a precarious position. Furthermore, the breakdown of Democratic unity semed to threaten the party's prestige on the eve of the national election. In the hope of saving the situation the House leaders—after the opposition had struck from the bill the clause crediting domestic corporations with taxes paid at foreign branches—on March 19 adjourned the House until noon on March 22.

In the interim the Ways and Means Committee sought to appease the opposition by exempting farm implements, wearing apparel, food, medical supplies and many other items from the sales tax, while the party leaders sought to bring the recalcitrants back into line. But the adjournment of the House and the tactics of the leaders proved fruitless. On March 22 the House adopted an amendment to the revenue bill which increased inheritance taxes to a maximum of 45 per cent on estates of more than $10,000,000, and finally, on March 24, amid cheering and yelling the House, by a vote of 223 to 153, struck the sales tax from the revenue bill.

Meanwhile, the average citizen was perplexed by the merits of the issue which had arisen in Congress. Conservative journals assailed the action of the House rebels, maintaining that the sales tax was a just and easy means of raising revenue. The liberal organs, on the other hand, assailed the manufacturers' levy as placing a burden eventually upon the consumer and especially upon the poor. Further, it was maintained that the much attacked "soak the rich" attitude of the anti-sales tax group was just and sound. Amid the charges that the insurgent Democrats had destroyed their party's hopes of carrying the election in November, some observers, secretly at least, welcomed the return of a more determined liberalism in the American Congress and ignored the conservatives' cry of demagoguery.

Yet sales tax or no, the need still persisted for passing a revenue bill which would balance the Federal budget. On March 25 President Hoover appealed for a balanced budget, while the House moved to find new sources for revenue. While a proposal to legalize 2.75 per cent beer as a basis for new taxes was defeated, import taxes were levied upon oil and coal. Finally, on March 29, the House revolt virtually came to an end following a dramatic appeal by Speaker Garner for passage of a revenue bill. While only a simple, patriotic speech, it thrilled political observers at Washington, and regained for Mr. Garner his leadership of the House.

Within four hours of the Speaker's appeal, the House had adopted eleven excise taxes—on cosmetics, furs, jewelry, matches, cameras, automobiles and other commodities—and restored the foreign credits provisions which had been struck out in the early period of the House revolt. During the next few days the House voted to raise the first-class postage rate from 2 cents to 3 cents an ounce and to levy a fee of one-fourth of 1 per cent on all stock transfers, with a minimum rate of 4 cents a share. The 40 per cent surtax rates on incomes above $100,000 were restored. On April 1 the House, by a vote of 327 to 64, adopted the rewritten tax bill, which was then transmitted to the Senate.

The new bill was expected to raise $1,032,400,000 in revenue, which, when supplemented by $230,500,000 in governmental economies and minor postal increases, would provide $21,-900,000 more than is needed to balance the budget for the fiscal year 1933. Nevertheless, the Secretary of the Treasury expressed serious doubts whether the budget had been balanced by the House bill, because the likelihood of real and substantial reduction in governmental expenses was highly uncertain.

In any case, the probability was great that the House bill would be largely rewritten in the Senate. On April 6, Secretary Mills expressed disapproval of many items in the bill and urged far-reaching changes before final enactment. In spite of the administration's anxiety that the bill should be passed as quickly as possible, leading Senators of both parties declared that the bill might not be out of the way before the meeting of the nominating conventions in June.

The possibility of an unbalanced budget has probably affected business conditions somewhat and certainly has aroused fears in Europe concerning American financial soundness. Although these fears seemed to be groundless, the continued delay in voting taxes added to the feeling of disquietude.

If the voting of taxes aroused opposition among interested groups, the effecting of economies in government operation was hardly more popular. Ever since Congress assembled, plans have been afoot for reducing the cost of government, but in spite of various proposals and appeals by President Hoover, little progress has been made. After all serious economy plans seemed to have failed, the House Democrats on March 14 adopted a resolution extending the life of the previously appointed economy committee and granting it power to report by bill or otherwise measures of economy. Immediately attention was directed toward reducing the salaries of Federal employes. On March 23 Representative Byrns, chairman of the Appropriations Committee and also of the Economy Committee, announced that one plan to be introduced in Congress would reduce all salaries 11 per cent, with an exemption of $1,000. This proposal, he declared, would mean saving about $67,-000,000. Meanwhile, organized labor has been agitating against a reduction of the salaries of Federal employes, contending that it would be used by industrial leaders as an excuse to lower wages throughout the country.

On April 4, a few minutes after the House revenue bill was received in the Senate, a special message from President Hoover was delivered to Congress in which he recommended the creation of a joint Congressional and Executive board to effect reductions of more than $200,000,000 in governmental expenditures. Immediately a torrent of criticism was let loose upon the President. Senator Robinson of Arkansas, the Democratic leader, declared that budget-making was an Executive function which should not be shifted to Congress. Representative Byrns declared: "The President has submitted another message urging reduction in expenditures by way of

consolidations, but in this message, like in former messages, he makes no suggestions as to the consolidations which may be effected in the interest of economy." Senator Borah spoke against the President's message in a similar vein. The next day the President reiterated his plea that Congress designate delegates to "sit down with representatives from the administration and endeavor to draft a comprehensive, general, national economy bill." On April 9, a tentative agreement for reducing Federal expenses between $160,000,000 and $210,000,000 was reached at a conference between President Hoover and the House Economy Committee. Expenditures cannot be reduced without hurting some one, and Congress and perhaps the President are loath to alienate possible votes in the campaign next Fall.

A potential menace to the balancing of the budget, and possibly to the financial stability of the country, is the proposal for full payment to World War veterans of their adjusted compensation certificates, a measure which it is estimated would add about $2,000,000,000 to the burden of the treasury. The movement for enactment of the bill has continued in spite of a declaration by President Hoover on March 29 of his opposition to the proposal and his expression of the fear that the bill, if passed, would undermine the credit of the country. On April 5 Henry L. Stevens, national commander of the American Legion, expressed disapproval of the bonus payment at this time, but whether the bill could be defeated was uncertain.

Representative Patman of Texas has advocated the payment of the bonus certificates through the issuance of additional currency, a possibility that is viewed with horror by all supporters of sound money. Yet here again is the feeling which has accompanied the government's program to restore the national economic life. If something can be done for finance and industry, why not something for the common man? The supporters of sound finance fight against that sentiment, as well as the movement for currency inflation, and the growing attitude on the part of some economists and political leaders that balancing the budget at the present time is a fetish not worth paying homage to.

Government income meanwhile continues to show a steady decline. At the end of the ninth month of the present fiscal year, government expenditures showed an increase of $451,000,000, while receipts had decreased $836,000,000. The decline in income taxes accounted for most of this decrease, falling $753,000,000 during the past nine months, as compared with the same period a year ago. March income tax returns fell $139,000,000 from the total for March, 1931. The public debt on March 31 was $18,506,720,000—an increase of $1,924,000,000 in a year.

THE GLASS BANKING BILL

Besides questions relating directly to the budget, Congress has been occupied with the important Glass bill for overhauling the Federal Reserve System (see March CURRENT HISTORY, page 834), which aroused the opposition of leading bankers when first introduced in Congress early in the year. It was later sent to a Senate subcommittee for revision and was reported to the Senate by the Banking and Currency Committee on March 17. The bill proposes the separation of national banks from affiliate corporations, the curbing of "chain banking" and the encouragement of branch banking. Brokers' loans by members of the Federal Reserve System would be subject to check, and the Federal Reserve Board would be given jurisdiction over operations in the open market. Under one provision officials of banks which had "persistently done an illicit and irregular business" would be liable to suspension. The bill also would establish a liquidating corporation which would handle the as-

sets of closed banks and would aid the depositors of these banks. Included in the many sections of the bill are provisions altering some of the technical requirements for membership in the Federal Reserve System.

As the result of pressure from many quarters, the Senate Banking and Currency Committee decided to hold public hearings on the Glass bill. At these hearings, which began on March 23, and in which the leading bankers of the nation, including the Chairman of the Federal Reserve Board, appeared, general opposition to the bill was expressed because of its "extremely deflationary provisions." The bankers' prophecy of disaster if the bill should pass awakened memories in the minds of many besides Senator Glass of the similar attitude of the banking fraternity to the establishment of the Federal Reserve System in the early days of the Wilson Administration. The opposition to the present bill has been so uniform that Senator Glass declared on March 30 that "a regular night school has been held by the bankers. They have all come here and repeated the same objections, using precisely the same phraseology."

THE TARIFF BILL

On April 1 the Senate passed the Harrison tariff bill, which radically modifies the tariff bill adopted by the House earlier in this session of Congress. The bills agree in only two particulars: both recommend the calling of an international economic conference and both take from the President his power to raise or lower rates upon recommendation of the Tariff Commission. Whether the two bills can be reconciled is uncertain, but in any case a bill, if passed, is sure to receive a Presidential veto.

PROHIBITION IN CONGRESS

Prohibition is always with us and during March invaded both houses of Congress. In the House of Representatives the first test vote on prohibi tion since the adoption of the Eigh teenth Amendment was taken oı March 17, when a resolution proposec that the House vote on the ques tion of submission by Congress to th States of a constitutional amendmen permitting those States which so de sire to establish control of the liquoı traffic. Although the resolution wa defeated by a vote of 227 to 187, th dry majority was much smaller thaı was expected. Meanwhile a test vot was planned to be held in the Senat during April, and the subcommitte of the Senate Committee on Manufac tures had recommended legalizing per cent beer as a revenue measur and as a stimulant to agriculture an business. The evidence of a growin wet sentiment in both political par ties has led to the suggestion that pro hibition may be avoided as an issu in the 1932 campaign, since wet dele gates may be in the majority in bot conventions.

ANTI-INJUNCTION LAW

The Norris anti-injunction bill for bidding the issuance of injunctions b Federal courts against strikers with out evidence of danger or injury t the interests against which a strik is directed and providing for jur trials for violators of injunctions, ha been passed by Congress and wa signed by President Hoover on Marc 23. The law crowns with success man years of effort by organized labor.

THE "LAME DUCK" AMENDMEN

On April 4 the Legislature of th State of Michigan ratified the pro posed Constitutional amendment t abolish the "lame duck" session o Congress. Michigan was the sevent State to ratify, having been precede by New York, Mississippi, Arkansa Virginia, New Jersey and Kentucky The following is the complete text o the proposed amendment as it ha been presented to the several Legisla tures; the text printed in the Apri

issue of this magazine was that of a preliminary draft:

Section 1. The terms of the President and Vice President shall end at noon on the 20th day of January and the terms of Senators and Representatives at noon on the 3d day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

Section 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3d day of January, unless they shall by law appoint a different day.

Section 3. If, at the time fixed for the beginning of the term of the President, the President-elect shall have died, the Vice President-elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President-elect shall have failed to qualify, then the Vice President-elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President-elect nor a Vice President-elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such persons shall act accordingly until a President or Vice President shall have qualified.

Section 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice shall have devolved upon them.

Section 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

Section 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of three-fourths of the several States within seven years from the date of its submission.

OUR ISLAND DEPENDENCIES

In one way or another the nation's island dependencies have been in the limelight during March. The Philippines received front page attention when, on April 4, with but little notice and no debate, the American House of Representatives passed by a vote of 306 to 47 a bill providing for Philippine independence in 1940. The main provisions provide for autonomous government of the islands pending complete independence, for limited immigration of Filipinos and for restricted importation of Filipino products into the United States. The United States reserves the right, after independence is granted, to retain certain military and naval bases there.

Although Secretary Stimson expressed opposition to Philippine independence at the present time, his statement was ignored by the House, which apparently wished to place final responsibility upon the Senate. In the Philippines the news of the House action was received with mixed sentiments, and even those most anxious for independence were sobered by the realization of the disastrous economic effects which separation from the United States might entail.

Hawaiian crime conditions have been placed in a new light by the report made by Seth W. Richardson, Assistant Attorney General, in response to a Senate resolution. After the sensational charges concerning island conditions that have been made freely since the Massie case first became prominent, it was a surprise to many to learn that conditions were probably no worse than on the mainland. While arraigning the police for laxity and inefficiency, the Richardson report said: "We found in Hawaii no organized crime, no important criminal class and no criminal rackets." As a result of the report, Senator Bingham has introduced seven bills providing for reforms in the administration of Hawaiian justice and local police organization. The Massie case was again prominent news as the trial of Mrs. Granville Fortescue, her son-in-law, Lieutenant Thomas Massie, and two navy enlisted men for the murder of Joseph Kahahawai opened in Honolulu on April 4, with Clarence Darrow assisting the defendants.

POLITICAL MANOEUVRES

The pre-convention political campaign proceeds steadily but without

exciting many citizens except those whose interests are tied directly to a particular party or candidate. In the Republican ranks manoeuvres are concerned mostly with selecting leaders for the campaign and in forcing a wet plank into the party's platform. Representative Snell of New York has been chosen permanent chairman of the Republican Convention; but the keynote speaker has still to be announced. Among the Democrats March has seen a steadily mounting number of delegates pledged to the nomination of Governor Roosevelt of New York, a nomination to which there seems to be little organized opposition. Roosevelt supporters have succeeded in forcing the selection of Senator Barkley of Kentucky as keynoter of the convention, but to gain this end had to acquiesce in the recommendation of Jouett Shouse as permanent chairman of the convention. Whether the outcome of the struggle which lay behind these selections could be considered a victory for Roosevelt was debated by political observers. Meanwhile most of the favorite-son movements seem to have petered out, and the supporters of Alfred E. Smith have done little to stop the Roosevelt steam-roller.

ECONOMIC DOLDRUMS

Any one who really expected immediate economic recovery as a result of the Hoover Administration's relief program must have been sorely disappointed as week after week business has continued at a low point of activity and stock values have fallen nearly to the low level of 1921. The most cheerful development in the past month is the steady decline in bank failures as a result of the activities of the Reconstruction Finance Corporation. During February sixteen States and the District of Columbia had no bank failures and in other States an improvement was in progress. Moreover, in the South thirty-one closed banks have reopened since the beginning of the year.

The Reconstruction Finance Corporation between Feb. 2 and March 31 authorized loans amounting to $238,739,939, of which $192,346,308 has actually been advanced. Of this amount, $125,417,141 has been advanced to banks and trust companies and $56,113,757 to railroads. The largest number of loans were made to applicants in Iowa and Illinois.

Loans by the R. F. C. to railroads came before Congress late in March, when it dawned upon the legislators that President Hoover had brought pressure upon the Interstate Commerce Commission for the approval of a loan of $12,800,000 by the R. F. C. to the Missouri Pacific Railroad. In this particular instance a portion of the loan was to be used to repay part of a loan made to the road by a banking syndicate headed by J. P. Morgan & Co. Senator Couzens of Michigan, in discussing this loan and others, declared that if the present policy is continued "the government will at least find itself in possession of the least desirable and least profitable railroads." Joseph B. Eastman, a member of the Interstate Commerce Commission, was quoted as having said that government funds were being used to bail out banks which had found their loans to railroads in an unprofitable position. On April 1 the commission repeated its opposition to loans made for the payment of obligations to private banks.

With the decline in bank failures and greater public confidence in financial institutions, the amount of currency in circulation fell between Feb. 10 and March 30 by $195,000,000. Although for eight weeks the decline had been steady, the total amount in circulation was at the end of March still $1,049,000,000 more than on March 30, 1931.

The condition of labor, so directly dependent upon general business life, shows no improvement. The usual Spring gain in employment is lacking, according to reports of the American Federation of Labor, and at least

8,000,000 are still without work. The campaign of United Action for jobs had successfully placed 400,000 men, it was stated on April 1, but the drive seems to lack the vigor which characterized its start on Feb. 15.

Strikes in the coal industry have broken out again. In the bituminous coal areas of Illinois, Indiana and Ohio 65,000 miners were estimated to be out of work on April 1 as a result of the failure of operators and union leaders to renew a wage agreement which expired at the end of March. Some rioting and violence has occurred, and in Indiana the Governor threatened to call out State troops to preserve order. In the anthracite fields of Western Pennsylvania a strike called by insurgent elements of the United Mine Workers in the latter part of March threw many miners out of work and brought dynamiting and bombing to the coal towns. At the same time the situation in the Kentucky coal fields again received unfavorable publicity when Eastern college students, seeking to investigate conditions, were expelled from the mine fields by Kentucky officials.

In the world of agriculture the only cheerful news has been the announcement by the Department of Agriculture that the general level of farm prices on March 15 showed an increase of one point over the index for the preceding month, the first improvement in nine months. Moreover, February cotton exports were the largest for that month since 1927. But in general the farm problem is still most acute. In Mississippi, for instance, 16.2 per cent of the agricultural acreage was sold at auction for delinquent taxes on April 5, and the State already owns many thousands of acres which have been forfeited through non-payment of taxes. To make matters worse, tornadoes which swept parts of Alabama, Georgia, Tennessee, South Carolina and Kentucky at the end of March caused over 300 deaths and millions of dollars of damage.

Some future historian will be abl to chronicle the social effects of thi economic depression, but the conterr porary chronicler finds it difficult t discover how far-reaching have bee the changes induced by the fall i national income. In the cities, pe haps, the effects are most noticeabl since the unemployed are more in ev dence, more stores are vacant an apartment houses have fewer tenant Occasionally the press prints account of the curtailment of the functions c some of the great foundations. Wha that may mean depends, of course, o the work which the foundation ha been subsidizing, but in many ir stances closing down must entail di tress. At the other extreme is th news that the maintenance of variou cultural agencies is menaced by th continued depression. The Metropol tan Opera Company of New York i endangered because of lack of fund and for similar reasons the wel known Summer opera at Ravinia, Ill will not be given this year.

In good times or bad the churc seems to play its part in human lif issuing dicta upon matters of soci and cultural import. On March 2 the Federal Council of the Church of Christ in America issued a repo on the question of marriages betwee members of different religious faith in which it denounced as "intolerable the requirements by any church th children of mixed marriages should b pledged to that church. The enti problem of religious membership i one which the report maintains shoul be worked out before marriage in th interest of religious unity in the fu ture home.

LIBERIAN MISGOVERNMENT

In the middle of March Secretar Stimson sent another vigorous note t the government of Liberia, and Lor Snowden, speaking for the Britis Government in the House of Lord denounced the conditions of slaver in that country. Other foreign gover ments joined with these in urgent rep

resentations at Monrovia. The immediate occasion of this action was the report that the Liberian Government had burned the villages of persons who testified before a commission of the League of Nations that slavery exists in Liberia. Proposals have been made that the League take charge of the republic, on the ground that the American Negroes living there have cruelly oppressed the natives and cannot be trusted to administer the country fairly. Another suggestion was that a number of white officials be placed in control of the Liberian administration, with one chief white official as their head. It was felt that this scheme would be better executed if managed by one nation under a kind of mandate than if it were handled directly by the League of Nations. The Firestone Rubber Company, which has a concession to produce rubber in the country, was understood to be ready to increase its loan to the Liberian Government if the additional sum would be used to rid the country of its scourges of slavery and yellow fever.

FREDERICK JACKSON TURNER

Frederick Jackson Turner, Professor of History Emeritus of Harvard University, died on March 15 at the age of 70 at his home in Pasadena, Cal. He was a member of that famous triumvirate of historians, Channing, Hart and Turner, who are known through their writings to all students of American history. By his emphasis on the influence of the frontier in American history he altered the direction of the interpretation of American history and gained for himself the reputation of being one of the nation's great historical scholars.

The Mexican Primary Elections

By CHARLES W. HACKETT
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PRIMARY elections in Mexico to choose candidates for the Congressional and State offices that are to be filled at the general election in July were held on April 3. While the primary embraced all political parties, it was, in effect, a private settlement of rivalries within the dominant National Revolutionary party. Although efforts to preserve order were, in the main, successful—over 60,000 Federal troops were on duty for that purpose—twenty-two people were injured in election riots in the Federal district, and one person was killed in a riot at Tamaulipas. A few other disorders of a minor character were reported, but for the most part quiet prevailed in the 3,000 voting districts and subdistricts. One of the surprises of the election was the apparent defeat, based on early and incomplete returns, of former President Emilio Portes Gil in his race for the nomination by the National Revolutionary party for the Governorship of Tamaulipas.

Additional coinage of silver pesos, designed to relieve the currency stringency in Mexico, has been authorized by a decree of the Ministry of Finance. The minting of the silver is to be controlled by the Bank of Mexico and will be limited to an amount considered urgently necessary by the bank's board of directors.

As the result of a new law, which became effective on March 1, requiring that at least 90 per cent of the employes of industrial, financial and

commercial concerns in Mexico must be Mexicans citizens, unemployment faces more than 5,000 foreigners in Mexico City and thousands of others throughout the country. Spanish and French employes were affected most seriously, although a considerable number of Chinese, Germans, Americans and British were also involved.

NON-RECOGNITION OF EL SALVADOR

The United States Department of State in mid-March notified the British Embassy in Washington that the United States Government does not intend to recognize the revolutionary government of President Maximiliano Martínez in El Salvador. The inquiry of the British Embassy was said to have been prompted by a report from the British Chargé d'Affaires in San Salvador that recognition of the Martínez régime might be advisable.

COSTA RICAN ELECTIONS

The final returns in the recent Costa Rican Presidential election presented to Congress early in March disclosed that Ricardo Jiménez received 35,343 votes, Manuel Castro Quesada 22,029 and Carlos Maria Quesada 17,302. Since no candidate received a majority of the votes cast, a run-off election between the two candidates receiving the largest number of votes is necessary under Costa Rican law. However, Manuel Castro Quesada, on the day following the election, led a brief but sanguinary rebellion, which was terminated by a truce, under the terms of which Quesada agreed to leave the country. After the official canvass of the election Quesada presented to Congress his formal resignation as a Presidential candidate, but this was rejected on March 1 by a vote of 24 to 19 on the ground that the legislative body is without authority to intervene in elections. As a result, a situation unique in Costa Rican history developed. Supporters of Quesada insisted that they should be allowed to vote for a new candidate in place of their original favorite, while followers of Jiménez contended that since their candidate received the most votes he should be considered elected, especially in view of the resignation of Quesada. On March 22 it was unofficially reported that the Costa Rican Congress in executive session had approved by a vote of 22 to 21 a resolution canceling the run-off election, which had been scheduled for April 3.

NICARAGUA AND THE UNITED STATES

The Bryan-Chamorro treaty of 1916, by which the United States acquired "in perpetuity" for $3,000,000 "the exclusive proprietary rights necessary and convenient for the construction, operation and maintenance of an interoceanic canal" in Nicaragua, was heartily endorsed by President Moncada of Nicaragua on March 13. The President declared: "The Bryan-Chamorro treaty cannot be submitted to new discussions of constituents or national congresses, to arbitration in courts or by the League of Nations. It is obligatory for Nicaraguans and for the United States. * * * The sovereignty of the United States exists, but is regulated by the great interests of humanity, commerce and navigation."

Any alteration of the Presidential and Congressional elections in Nicaragua, scheduled to be held this Fall under the supervision of the United States, to provide for the election of a Constituent Assembly to reform the Constitution, will result in American refusal to supervise the election. This decision was made known by the United States Department of State in a statement released in Washington on March 23.

PANAMAN POLITICS.

The Panaman Electoral Jury decided on March 8, that Harmodio Arias, candidate of the Doctrinal Liberal party, is eligible to election to the Presidency despite the fact that

he served as provisional president after the revolution of January, 1931. A few days later, following reports of the dissolution of the National Liberal party because of lack of campaign funds, Dr. Augusto Boyd, candidate of that party, withdrew from the race. At the same time the National Liberal party announced its support of Francisco Arias Paredes, candidate of the Liberal Reform party. This action, regarded as tantamount to a breach between the government, headed by President Ricardo J. Alfaro, and the Liberal Reform party, was formally denounced in a statement issued by President Alfaro and his Cabinet on March 18. The decision of the National Liberal party to support the candidacy of Arias Paredes left only two parties in the race and observers predict that the result will be a closer contest in the June elections.

CUBAN ECONOMIES

The present Cuban sugar crop was fixed at 2,700,000 tons in a Presidential decree signed on March 26. The decree followed recommendations made by the Cuban Sugar Institute, the official body under which the Chadbourne plan for the reduction of sugar production operates in Cuba. Based on a crop of 2,700,000 tons, plus 567,000 tons carried over from last year's crop, the amount of exportation to the United States is calculated at 2,523,284 tons. Local consumption is estimated at 150,000 tons, leaving 593,716 tons for exportation to other countries.

Cuban coffee production this year was reported on March 5 to be sufficient to meet the needs of the island. As a result, and because of excessive tariff rates which protect domestic production, not a single pound of coffee was cleared through the Havana customs during February. By comparison, Cuba imported during 1929 a total of 17,346,967 pounds of coffee, valued at $3,343,000. Importation of coffee in 1930 dropped to 5,000,000 pounds, when the duty on coffee was raised to $32 per 100 kilos.

Designed as a stimulant to Cuban industries, a decree which raises the tariff on automobiles, trucks and lard, including importations from the United States, was signed by President Machado on March 17.

Renewed Unrest in South America

By HENRY GRATTAN DOYLE

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THE events in South America during March offer an apparent paradox. In the light of the last three years of turmoil, the chronicle contains nothing novel, and yet the story is not commonplace; on the contrary, it is full of variety, interest and significance. Among its highlights are a serious financial crisis in Chile, resulting in the fall of the Cabinet and the imposition of martial law; a "naval revolt" in Ecuador; adjustment, for the time being at least, of the political difficulties of the Vargas régime in Brazil; conviction of the would-be assassins of President Sánchez Cerro of Peru; a verdict of guilty against Hernando Siles, former President of Bolivia, passed by the Bolivian Senate, and announcement of Presidential elections in Paraguay. In short, it is the same old story of "unrest in South America," against the same background of rumored "Red"

activities, labor and tax strikes, and the seemingly hopeless struggle almost everywhere to balance budgets, support national currencies and meet foreign obligations. A note of encouragement is provided by the fact that revolutions have been neither frequent nor successful in 1932 as compared with 1930 and 1931, and that constitutionalism seems to have won some victories; unfortunately partisan politics still seems to be the main interest in some countries, in spite of the ever-darkening cloud of economic disaster that hovers over them, and the bitter opposition of affected groups to governmental efforts to obtain increased income through taxes.

THE CRISIS IN CHILE

President Juan Esteban Montero of Chile on April 8 declared martial law for an indefinite period, following a run on the Central Bank of Chile which caused the fall of the Cabinet. As a precaution against outbreaks cavalry and mounted police patrolled the streets of Santiago, and troops were on guard at strategic points, but little disorder occurred. Martial law was proclaimed under an act passed by both houses of Congress, which thus demonstrated its support of the Montero Government and of constitutionalism.

The new Cabinet represents a coalition of the three parties that supported President Montero. The Ministers of Finance, Foreign Affairs, National Defense and Welfare, all of whom are Liberals, held the same posts in the previous government. Of the new Ministers, two are Radicals, two Conservatives and one Liberal. The new Cabinet began preparation of a program for devalorization of the peso and for dealing with other serious problems of national finance as well as with the threatening unemployment situation.

Explaining the proclamation of martial law the President said: "Many of those responsible for the unfavorable moral and economic situation of Chile at the present time are now conspiring to overthrow the constitutional administration by means of false promises impossible to fulfill. Moved by the personal ambitions and decidedly unpatriotic, they are disregarding the tragic ruin which would follow in the wake of achieving their desire to cause the downfall of the government. I did not desire to be President and did my utmost not to accept the office, but since the republic faces serious danger I will energetically and unwaveringly use the powers granted me by the Constitution to maintain order. I place trust in the loyalty and honor of the military forces and have faith in the force of public opinion. I call upon all Chileans to support me in defense of liberty, justice and order."

The newspapers generally support the President, insisting on the maintenance of public order and denouncing those who sought to capitalize Chile's troubles for partisan purposes. The President holds a strong position because he did not seek the office, but was drafted by almost unanimous demand of the opponents of the fallen Ibáñez dictatorship, because of his demonstrated capacity and integrity and his lack of previous political activity.

The President's reduction of the Presidential budget by 50 per cent and his virtual abandonment of the Summer palace at Viña del Mar because of the cost of maintenance, have been well received as an indication of his sincerity in urging retrenchment.

The run on the bank was precipitated in part by discussion in Congress of a bill which would take Chile off the gold standard. Chile, following the example of certain other South American countries, has been unsuccessfully attempting by strict control of foreign exchange transactions to maintain the peso at the official rate of about 8 to the dollar. The proposal to let the peso seek its level put a premium on coin currency, and at

the same time sent commodity prices soaring; sugar, for instance, increased almost 100 per cent in price.

In an effort to reduce importations and thereby cut down drafts on foreign markets, the government issued a decree early in March "rationing" gasoline in Chile, and later in the month proposed a virtual government monopoly of the distribution and sale of petroleum. The two foreign companies which supply most of Chile's petroleum announced a price increase, as a result, they said, of their inability to purchase new supplies because of governmental restrictions on transferring money abroad. This action in turn led taxi drivers in Santiago to threaten a strike in protest against the proposed increase in price.

REVOLT IN ECUADOR

A revolt in Ecuador led by Commander Ildefonso Mendoza on April 7 led to the seizure of the fort at Punta Piedras, which commands the Guayas River between Guayaquil and the Gulf of Guayaquil, and of the gunboats Cotopaxi and Tarqui. The announced purpose of the revolt was to prevent the landing of General Leonidas Plaza Gutiérrez, twice President of Ecuador, who was returning on the Dutch steamer Bodengraven from an exile that began in 1925. Commander Mendoza's manifesto declared the revolution had been begun "in defense of the principles of liberty, which are threatened by the Conservative party." It was unsuccessful either in preventing the landing of General Plaza or in blockading the port of Guayaquil, though the rebels stopped a British tanker and delayed arrival of other vessels for a day or two. On April 9 the rebels were driven from the fort and sailed for Manabi. According to reports the commander's following had dwindled to a mere handful. The usual attribution of the revolt to Communist activities was not lacking. Ecuador has been a centre of such reports. On March 16 Communists were reported to be planning a "jobless' parade" in Quito, the capital, and rumors of "Red" activities among Ecuadorean Indians have been circulated at intervals for more than a year. On March 15 a band of Indians attacked the town of Angamarca, Province of León.

Ecuador's financial difficulties were somewhat lessened by the granting on March 10 of a loan of 12,000,000 sucres—about $2,400,000 at par—by the Central Bank. Discussion of the loan had been acrimonious, and at one time the government threatened to withdraw its funds from the bank. The money will be used for public works and for financing agriculture. On April 3, the Minister of Finance proposed a restricted moratorium on mortgage loan payments.

POLITICAL COMPROMISE IN BRAZIL

The struggle behind the scenes in Brazil between Provisional President Vargas, who has been in office since Nov. 3, 1930, and some of his former supporters from his own State of Rio Grande do Sul, over the question of an early return to constitutional forms, seems to be well on the way to adjustment as the result of a conference at Petropolis, a suburb of Rio de Janeiro, on March 22 between the President, the Minister of Justice and the Governor of the State of Rio Grande do Sul. The agreement was understood to include a pledge by the President to call general elections, probably next January. The Southern leaders were reported to have abandoned their demand for punishment of the soldiers who wrecked the offices of *Diario Caroca* in February. It was also reported that Governor Floras da Cunha would be named Minister of Justice to fill the vacancy created when Mauricio Cardoso, one of the Southern leaders, resigned in protest against the President's delay of nearly eighteen months in calling elections.

The President has found himself in an anomalous position since he was

raised to power by a revolt originating in the State of Rio Grande do Sul and has been relying mainly on military support to maintain his *de facto* government but is faced with demands for a return to constitutionalism by a number of the leaders of the movement which placed him in office. The President has favored a return to constitutionalism, but only by proceeding slowly enough to allow a complete redrafting of the Brazilian Constitution.

Destruction of part of the immense stocks of coffee brought together under the ill-fated coffee valorization scheme is proceeding at the rate of 20,000 sacks a day. Ultimately 12,000,000 sacks will have been burned.

PERUVIAN POLITICAL UNCERTAINTY

José Arnaldo Melgar Márquez, the would-be assassin of President Sánchez Cerro of Peru, was tried on March 14. The next day he and Juan Seoane, an alleged accomplice, were sentenced to death, while Reinaldo Bolaños Díaz was sentenced to twenty years' hard labor. Manuel Seoane, chief lieutenant of Raúl Haya de la Torre, leader of the Apristas, from Bogotá, Colombia, whither he had been deported with about a score of leaders of the Apra, sent a message to Lima on March 16, offering to die in place of his brother. In the meantime the executions were delayed, pending confirmation of the sentences by Congress. On March 19 Congress passed a law authorizing the President to commute the sentences to penal servitude, and on the same day the President signed the act.

In the meantime opponents of the government continue to be deported. Six officers and three civilians were deported on April 8 to Ecuador, and it was reported that agitators were being exiled to the Madre de Dios region, an unsettled tropical jungle on the other side of the Andes. Deportation of Apra leaders, according to a statement issued by them in Colombia, was the result of the government's fear of the growing strength of the youth and reform movement. On the other hand the government accused the Apra party of being in contact with Moscow. Pompeyo Herrera Mejía, who was arrested on March 18 on charges of communistic activities among school teachers and laborers, was described as a delegate from Moscow to Peru.

Peru still continues the practice of renewing the provisional budget from month to month; no budget for the present year has been adopted. Proposals to nationalize the petroleum industry and to establish government control over other mineral exports, especially copper, have been presented. Profits from the petroleum monopoly would be used under another proposal to amortize a proposed bond issue for the building of 4,000 new public schools.

BOLIVIAN AFFAIRS

On March 16 Hernando Siles, former President of Bolivia, was found guilty by the Senate, after three months of investigation, of illegally deporting Congressmen and of misusing public funds. The other nine charges against him were dismissed. Three former members of his Cabinet were found guilty of the same offenses. The former President is reported to be living in Valparaiso, Chile.

Early in March the Bolivian Cabinet resigned after a dispute with the Central Bank over proposals for inflation. A new Cabinet which took office on March 10 included as Minister of Finance a former director of the Central Bank. Stabilization of the boliviano at 4.12 to the dollar has been determined upon, according to reports, and control of foreign exchange through restrictions on imports is contemplated. A national tin monopoly also has been proposed.

De Valera's Anti-English Policy

By J. Bartlet Brebner
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AFTER ten years of lack of responsibility as leader of the Opposition in the Irish Free State, Eamon de Valera has found one month as President of the Executive Council a difficult and sobering experience. He attained power by a narrow electoral majority in return for a great many promises, chief of which were abolition of the oath of "faithfulness" to King George V (not to the British Government), retention of the land-purchase annuities hitherto paid to British bondholders and immediate suspension of the severe public safety act passed by the Cosgrave Government on Oct. 16, 1931 (which he effected on March 18). He honestly believed that his mandate entitled him to denounce the oath ("purely a domestic question") and the annuity agreements with Great Britain. Because he had at least more support from the extremist republican elements than ex-President Cosgrave, he felt that abolition of the oath was the only way of ending dissensions that threatened to bring on civil war.

The treaty of Dec. 6, 1921, which contains the oath, and the annuities agreement are acts of both the British and the Irish Free State Governments and therefore subjects for negotiation. In her pride of nationhood the Irish Free State had registered the treaty at Geneva and signed the optional clause of the Geneva agreement for the arbitration of international disputes by The Hague Tribunal. Furthermore, the treaty provides that "the position of the Irish Free State in relation to the Imperial Parliament and Government and otherwise shall be that of the Dominion of Canada, and the law, practice and constitutional usage governing the relationship of the Crown or the representative of the Crown and of the Imperial Parliament to the Dominion of Canada shall govern their relationship to the Irish Free State." The oath is always taken in Canada. Moreover, at the Imperial Conference of 1930 the Irish Free State agreed in principle to the submission of intra-dominion disputes to a specially created judicial and arbitral tribunal. The matter of the annuities, which since the national debt agreements of 1921, 1923 and 1926 falls in the category of private debts, was subordinated to the question of settling the oath.

President de Valera had hardly announced his policies before he was in trouble. The Irish Executive Council, unable to support his original statement, held long debates from March 23 to April 5 in an effort to find less uncompromising terms for embodiment in a note to the British Government. The whole situation was a mixture of the real and the unreal, the naïve and the shrewd. De Valera's own sincere aspirations for an independent and united republican Ireland in friendly relation with Great Britain have been developed in the course of five years' criticism of the British Government and ten years' criticism of the Irish Government. These might be called his basic, long-run policies. Now he probably realizes that they can be attained only by gradual changes within the Free State, by slow negotiation with Great Britain and by such imperial bargaining as is likely at Ottawa in July. But because he has led the Opposition he must answer the demands of the impatient extremists.

Over against these aspirations is the dominant fact that at present the Irish Free State simply cannot step out of Britain's economic orbit without far-reaching disaster. A protectionist United Kingdom could do considerable damage. Over 90 per cent of the external trade of the Free State is with Great Britain and Northern Ireland. A ruthless Britain could expel the 300,000 Irishmen who are estimated to be in receipt of British unemployment relief, not to speak of others who could be dealt with as "undesirable aliens." Australia, on April 4, called attention to the possibly anomalous position of her Irish immigrants. That Ireland cannot afford to be excluded from possible imperial preferential arrangement at Ottawa in July has been made clear by de Valera's acceptance, on March 31, of the Canadian Prime Minister's invitation to that meeting.

In the Free State itself de Valera's parliamentary position is weak. The Senate majority is pro-Cosgrave and, unless a new general election is held, it can hold up the President's proposals for eighteen months. Even in the Dail de Valera has a majority only as long as seven Labor members support him. One of them was elected Deputy Speaker, but de Valera yielded Labor no representation in his Cabinet. By adjourning the Dail from March 15 to April 20 almost without allowing it any action he escaped having to risk his policies as to the oath and to annuities, but Labor had had time to insist that the oath must wait until unemployment, housing and general social and economic reforms were undertaken. The budget deficit on March 31 was £639,000 and the new budget had to be ready for the session in late April.

The Irish Republican Army and other domestic republican organizations used the commemoration of Easter, 1916, for demonstrations. Dublin was plastered with rousing posters. The Indian Nationalists and British and New South Wales Labor extremists urged de Valera on. Mr. Thomas, in alarmist fashion, and Mr. Chamberlain, in more measured tones, described the concern of the British Government over the abrogation of an integral part of the treaty of 1921. On April 2 New Zealand (through London) and on April 4 Australia (directly to Dublin) formally expressed regret should the Irish Free State take steps likely to alter its association with them in the British Commonwealth of Nations. The Canadian Government, on March 30, issued a White Paper which rehearsed the legal and constitutional position of the Irish Free State. Great Britain had obviously been conferring with her constitutional equals over the action of one member of the Commonwealth.

Although Great Britain has an excellent legal case in regard to both the oath and the annuities, no one expects her to exercise military or economic weapons to force an Irish Government to go against the clearly expressed opinion of the Irish people.

THE BRITISH DILEMMA

During March the pound sterling ranged from $3.60 to $3.83. On three separate occasions it made rapid surges upward which were succeeded by slower declines, and on April 5 it stood at $3.77¼. These wide fluctuations were embarrassing not only to the believers in a "managed" currency but to the government and to industry. The rapid rise in the first week of March involved cancellation of some of the encouraging foreign orders placed at the British Industries Fair, and altogether movements of from 5 to 10 cents in a day made for great uncertainty. The Bank of England and the Treasury could undoubtedly "manage" the currency, but only within wide limits, and once more attention was focused on the basic British dilemma between favoring trade and favoring finance—that is, between keeping the pound down and encouraging its rise.

A low level of sterling was gen-

erally believed to be good for export trade by encouraging foreign buyers when commodity prices, notably for raw materials, were still falling. British industry, therefore, backed by the Conservative Parliamentary majority, inclined toward prompt stabilization of the pound somewhat below its present level, suggestions ranging from $3.40 to $3.63. Stability seemed essential for cost-accounting and trading calculations. This would involve acquiring a substantial gold reserve, but mere stabilization at, say, $3.50 would convert the Bank of England's reserve of £121,000,000 at the old parity to about £170,000,000 at the new. The really important problem involved was naturally that of the level. If it were too high in terms of the total operating economy, London could be easily raided for gold by foreign countries; if it were too low, gold would pile up and trade would languish as prices rose.

The international bankers, of whom Sir Montagu Norman, Governor of the Bank of England and described as "the high priest of the golden calf" by Mr. Lloyd George, is the best-known leader, believed that British prosperity depended upon international financial operations, overseas investments and foreign services, such as insurance and the carrying trade. Since the war these so-called "invisible" items have helped to make the British balance of payments favorable, while the balance of trade was adverse. The international bankers favored the slow upward revaluation of the pound which would necessarily accompany any progressive improvement of the total British economy. The higher the pound rose toward $4.86, the larger would become the capital values of, and the interest payments on, British overseas services.

The immediate practical problem, however, has been to keep the pound from becoming the plaything of the international currency speculators. Neville Chamberlain, Chancellor of the Exchequer, explaining the government's attitude on March 11, said: "The government does not desire to see the pound forced up to a rate injurious to industry. * * * Sooner or later we should have to link our currency to a metallic basis. * * * I do not want to be dogmatic over what the basis should be and whether we should stick to gold or mix it with something that will help us out, but I do not see any better basis than gold, which in the past served us well." The reduction of the Bank rate on March 10 from 5 to 4 per cent and on March 17 to 3½ per cent was calculated to discourage the flow of foreign short-term money sent to London to profit by high interest rates and rising sterling. In addition, the rapid repayment of foreign obligations and the actual movements of the pound were generally attributed to sales of sterling by the Bank and the treasury whenever the pound began to rise. The last $50,000,000 of the New York credits of August were repaid on March 29 and April 5. On April 1 the Bank was reported to have stopped trying to control sterling.

The continued buoyancy of the pound was attributable to the triumphant assertion of solvency which began in February and continued in March. All the borrowings of last August were paid off, except about $35,000,000 in the hands of private French investors, and on March 31 Neville Chamberlain was able to announce that the government had ended the fiscal year 1931-32 with a surplus of £364,000, in spite of the fact that £30,500,000 had been paid to sinking fund and that the unemployment and road funds were being carried out of revenue instead of by borrowing. Expenditure had been £12,600,000 less and the revenue £13,700,000 less than was anticipated last September. The low Bank rate encouraged talk of converting the £2,000,000,000 of war loans. Three-quarters instead of one-half of the income tax had been credited to the past fiscal year, but all 1932-33 estimates had been cut. The

tariff was expected to yield £150,000,000. While the Chancellor of the Exchequer planned to present a balanced budget for the new year, he offered no hope of reduced taxation.

It was difficult to determine whether the tariff was likely to diminish the adverse balance of trade. Imports of manufactured goods, which amounted to £27,000,000 in October and £28,000,000 in November, responded to the abnormal imports act by falling to £18,000,000 in December and £13,000,000 in January. In February the forestalling of the general tariff of March 1 raised the total again to £20,000,000. The depreciated pound had not succeeded in stopping the decline of exports during February, for they were £2,000,000 less than in 1931, but the rate of decline for British exports was lower than that for the rest of the world.

Industry made no spectacular advances, but the success of both branches of the British Industries Fair was encouraging, and the continuous and heavy oversubscription of investment offerings in London, although largely confined to "gilt-edge" issues, indicated that productive domestic enterprises need not lack funds. The coal industry was troubled by new German import quotas which more than halved the British export and which Mr. Runciman described as "clearly discriminatory" in terms of the treaty of 1924, but the terrible condition of the German coal industry went far to neutralize the formal protest.

The British unemployment figure of 2,701,173 for Feb. 22 represented a decline of 27,000 since Jan. 25. Actually there were 38,000 more workers in employment than in January and 77,000 more than in February, 1931, so that the natural increase of working population was being met. About 11 per cent of the unemployed, although registered, were not in receipt of insurance. Vital statistics showed that the United Kingdom was rapidly approaching a stationary population, but it was surprising that in 1931 immigrants exceeded emigrants by over 22,000. On April 4 it was announced that the unemployed numbered 2,567,332 as of March 21. This showed a spectacular drop of 133,841 during the preceding month. When new entrants into employment were added the total addition to the employed population was about 146,000. Almost all the principal industries reflected the improvement.

Unquestionably there was much deep poverty and distress, and the lowered insurance rates and more rigid operation of the social services made for discontent, but the Ministry of Labor cost-of-living index fell during February and on March 1 was 146, as compared to 150 in 1931. This continued fall in prices, which was reflected up to April 5 in the other domestic and world indices, showed that the underlying factors of the depression had not ceased to operate, but it gave the poor greater purchasing power than was at all hoped for when the pound went off gold.

In preparation for the Ottawa conference a special committee of the Cabinet began gathering statistics of products, markets, comparative prices, tariffs and the competitive trade positions. In spite of Mr. Baldwin's remark on March 17 that reports of Cabinet friction over the choice of the British delegation were "fiction," an effort had undoubtedly been made to exclude or partially eclipse the outspoken J. H. Thomas, Secretary for the Dominions. He had called the bluff of R. B. Bennett, the Canadian Prime Minister, at the abortive conference of 1930, and his alarmist manner in handling the recent Irish proposals alienated the Conservatives. In addition, the Empire Trade Crusaders held Mr. Baldwin's 1930 record against him. On March 17, however, Mr. MacDonald announced that the delegation would be composed of Mr. Thomas, Sir Philip Cunliffe-Lister, Secretary for the Colonies, Mr. Runciman, president of the Board of Trade, and, if

possible, Mr. Baldwin, Mr. Chamberlain, Lord Hailsham and a representative of the Department of Agriculture.

In the one by-election of the month Tom Johnston (Labor) failed to regain the seat he lost in September, but while his vote was reduced by 3,000, his Conservative opponent lost 12,000.

THE INDIAN SITUATION

While provincial deficits deepened and customs duties fell off in face of depression and boycott, the Indian Government remained firm in its repressive policy during March. The election of Mme. Sarojini Naidu as acting president of the All-India Congress and her subsequent conversations with the Viceroy and the Pandit Malaviya raised some hopes of a truce, but these faded at the end of March. The Consultative Committee was making very slow progress. Before the month was over not only had the National Congress reasserted its boycott of the Round Table Conference and its refusal to accept a settlement dictated from London, but the All-India Moslem Conference at Lahore had surprisingly taken similar action. That did not mean that Moslems and Hindus had united, but very definitely the reverse, as continuance of the communal troubles indicated. The Moslems repudiated British efforts because they knew that the British settlement would not contain their full demands. Since the London meeting these demands have grown to such an extent that if Britain granted them she would in effect be starting a civil war between Hindus and Moslems.

March also saw the possibility of the Princes' seceding from the federal proposals. This would have shattered the whole scheme, but anxiety was allayed on March 25, when the Princes' constitutional committee unanimously recommended entry, though the resolution was slightly amended when the Chamber of Princ discussed it. On April 1 the Nawa of Bhopal proposed, and his rival th Maharajah of Patiala seconded, th reaffirmation of their decision to er ter an Indian federation on conditior (to be included in the Constitution) c retaining internal sovereignty an having their full treaty rights of re lation with the Crown guaranteed.

The annual Spring trouble on th North West Frontier broke out earl in March and continued through th month.

SOUTH AFRICAN CURRENCY ISSUE

The Union of South Africa has co tinued to be torn by differences ov the retention of the gold standar The problem is by no means purely ec nomic, for it has nationalist and im perial complications. If South Afric stays on gold it will be more difficu for the advocates of an empire cu rency to proceed with their plans a Ottawa. The present anti-dumping du ties in South Africa against Grea Britain and other countries which ar off the gold standard make arrang ments for imperial preferences ve difficult to effect. The new trad treaties with Germany and Japan ar other obstacles to imperial econom cooperation.

The new currency bill, introduce into the Legislature on March 22, pr vided for units called rands, flori and cents. The rand is approximatel equivalent to $3.90 and contains 1 florins of 100 cents each. The basis gold, but efforts to set a value on th British pound in terms of South Afr can currency were to be postponed un til after Ottawa. The South Africa party continued its vigorous oppos tion to the Nationalists and Lab and refused to serve on the sele committee which is investigating th gold standard.

An additional difficulty arose March 18 when the Provincial Coun of the Orange Free State adopted

resolution declaring that it was impossible to balance its budget by the new taxation and economies required by the Union Minister of Finance and asking that the Union Government take it over. The immediate deficit is about £800,000. This raised the whole recurrent question of whether the provinces in the Union should be abolished. The Union Government would find it awkward to do so at present, but neither could the South African party in Opposition make it an issue because they needed the support in Natal, which they would lose if they did so.

CANADA MARKS TIME

That there has been no great change in the course of events in Canada was revealed by the emptiness of the legislative session. The only cause for sharp differences of opinion was Mr. Bennett's desire to have his "emergency power" to legislate by Order-in-Council when Parliament is not sitting extended beyond May 1. While Parliament found little to do, the public engaged in widespread discussion of economic problems.

The Canadian dollar halted in its rise at 90 cents (U. S. A.) and fluctuated very slightly toward 91 cents. It stood at 90.25 cents on April 5. The city of Toronto raised about $5,000,000 in Canada at 5.70 per cent. The direction of international trade continued to mark a turning away from the United States and toward Great Britain. For the crop season (Aug. 1 to Feb. 29) wheat and flour exports declined in volume as compared with 1931, but exports of barley, rye, and oats more than quadrupled.

The negotiations between Ottawa and Washington for a treaty to cover the construction and operation of the St. Lawrence Waterway were reported to be nearing the drafting stage. Special interests and local opinion in various parts of both countries had to be consulted, but it was hoped to present the treaty to Parliament and Congress before the close of their present sessions.

AUSTRALIAN FINANCE

The financial agreement enforcement bill, by which the Australian Federal Government will during two years accept responsibility for defaults on State debts and reimburse itself by seizing their revenues, passed the House of Representatives and received Senate assent on March 11. On March 16 both houses passed resolutions to attach certain specified revenues of New South Wales amounting to the £924,000 in which it is in default. New South Wales opposed the act and withdrew over £1,000,000 from the banks to prevent its seizure. The Tasmanian Assembly also objected to the act as involving a violation of the federal principle.

The federal finances were still in a serious condition. The deficit for the eight months up to Feb. 29 was £3,560,000. The recent very high tariffs have decreased revenue in some cases and the government has lowered the duties on tobacco and cotton and abolished some of the flat prohibitions of imports. Following the sending of £5,000,000 in gold to London last June the gold reserve has fallen to £10,000,000. The problem now is whether it would be wise to ship that gold to take advantage of high gold prices in sterling and use the proceeds for a revolving fund of short-term credits. Mr. Scullin made this proposal, but the government rejected it. Stanley Bruce as Minister in London will have these awkward financial matters to handle, not least of which is the November maturity of a £13,000,000 loan.

Newfoundland in Distress

By William MacDonald

On April 5, at St. John's, the capital of Newfoundland, a crowd of some 10,000 men and women of all classes, who had assembled outside the Parliament building to present grievances, were roused to mob passion by delay and police clubbing. Surrounding the building, they broke down the doors, made a wreck of furnishings and windows, looted official files and threw documents into the street, and were with difficulty persuaded by three clergymen to allow Sir Richard Squires, the Prime Minister, who with his police guards had been held in the building for several hours, to make his escape after assaulting him and threatening to throw him into the icy waters of the harbor.

This was the second time this year that the Prime Minister of Newfoundland has had to face an angry populace. On Feb. 11 a crowd of 900 unemployed, angered by a reduction of the monthly food ration, smashed its way into the council chamber where the Executive Council was meeting, "overturned tables, ripped out telephones, hurled inkwells, and broke a picture over Sir Richard's head," and even, according to one report, knocked him down. Only on a promise that the food ration should be increased did the mob retire. Now, after a second and still more serious outbreak, the Squires government awaits an investigation of the disturbances by a royal commission, while an organization of World War veterans is keeping the peace.

When Lord Salisbury described Newfoundland as having been throughout its history "the sport of historic misfortunes" he summarized aptly a situation more checkered than any other overseas possession of Great Britain has ever known. Discovered by John Cabot in 1497, the island was until about 1610 merely a haven for the English, French and Portuguese fishermen who flocked to the Grand Banks to exploit the cod fisheries, and then until 1714 it was the scene of a struggle between a handful of permanent settlers and the "Fishing Admirals." The latter, representing the exploiting merchants and ship-owners of the West of England, did their best, by robbery and oppression, to drive out the settlers. A change for the better came in 1713, when the Treaty of Utrecht confirmed the British claim to the island, but a long controversy with France over fishing rights, settled only in 1904, kept the country in turmoil. Civil government came slowly. A supreme court, set up in 1792, did not obtain full jurisdiction until 1826; land grants and the building of houses required the Governor's permission until 1813; representative government was granted only in 1832, and responsible government not until 1854.

Political buffeting retarded economic development, and to this day Britain's oldest colony is also one of the most primitive. Newfoundland has an area of 42,734 square miles, but its jagged coast, deeply indented by eight great bays, has a total length of about 6,000 miles. Until 1923 communication by land and sea was mainly in the hands of the Reid Newfoundland Company, a monopoly which built and operated some 900 miles of railway and maintained a coastwise steamship service. In Winter, when the coast was blocked with ice, the

steamers did not run, thereby isolating many regions. The branch railway lines ran for the most part two or three times weekly when they ran at all, and the main line from Port-aux-Basques to St. John's, a narrow-gauge line of 546 miles, aptly described as a "seafaring railroad," was a terror to travelers and the butt of perennial jokes.

Except for the great iron mines at Bell Island, among the largest in the world, and a pulp and paper establishment at Grand Falls which supplied the Northcliffe papers in England, there were no important industrial enterprises in Newfoundland until after the World War, and there are only three others now. Most of the people lived, as they still live, by fishing and sealing—industries mainly carried on under a system in which a few merchants and ship-owners, principally at St. John's, own the vessels, outfit them for the season's work and divide among the men such profits as remain after the owners and outfitters have taken their share. The result is to keep a large number of the fishermen dependent for advances of food, clothing and supplies upon what is the social oligarchy of the island. In good years there may be a small surplus for the men, but by and large over half the population exists on the verge of starvation, with a diet which includes little more than a scanty provision of fish, bread and tea.

Far the larger part of the island presents an appearance of bleakness and desolation. Except for the three or four industrial communities outside St. John's there is hardly any population away from the coast, roads are few or non-existent, and Winter communication depends upon snowshoes and dog-sleds. Nowhere in North America, with the exception of some coal mining regions, are such poverty-stricken villages to be found as those which dot the Newfoundland coast; nowhere are doctors so remote or schools so poor. St. John's, the capital, a straggling, unkempt city of upward of 41,000, is the only large centre; the other coast towns are "outports," and for the rest there are only small villages, forests or barren wastes.

To this bleak and undeveloped island, with an estimated population of 264,089 in 1928 and almost no middle class, Sir Richard Squires undertook to apply a process of forced and artificial stimulation. The properties of the Reid Newfoundland Company, after years of controversy, were taken over by the government and the railway rebuilt and modernized, at a cost, between 1920 and 1923, including a new dry dock at St. John's, of $15,468,187. The interest of English capital and the British Government was sought and a large paper mill was built at Corner Brook, on the Humber, in the southwestern part of the island. When more than $51,000,000 had been sunk in the enterprise the company ceased operating, bond interest could not be paid, and the Newfoundland Government was invited to meet the interest on some $10,000,000. The acquisition of the property by the International Power and Paper Company of Newfoundland involved charges of financial and political irregularities, but Sir Richard Squires was out of office before the controversy was settled. Another great scheme was the development of hydro-electric power, from which about a hundred towns or settlements have benefited; still another was an elaborate program of road building.

Newfoundland has important natural resources in minerals and timber, and industrialization and general modernization were tasks quite too long delayed. The cost, however, has been staggering. The gross debt on June 30, 1930, was $89,538,773 and the net debt $85,849,668. A $5,000,000 bond issue was floated in London in 1930, more than half of the proceeds being used to retire a maturing loan. In August, 1931, an old proposal to sell Labrador to Canada was revived, with $110,000,-000 as the suggested figure, but it was later denied that a sale was contem-

plated. In December, with the treasury apparently going on the rocks, Sir Percy Thompson, Deputy Chairman of Inland Revenue in Great Britain, together with an expert from the British Treasury, took charge of Newfoundland's finances and undertook, with political control eliminated, to check extravagance and keep outgo within income. On Dec. 14 another offer to sell Labrador, this time for $100,000,000, was announced. Finally, on Dec. 30, with a rumor in circulation that the January interest payments would be defaulted, four Canadian banks agreed to lend $2,200,000 for six months on terms which gave virtual control of the country's revenue.

In the face of a mounting volume of debt, the government has continued to depend for its revenue mainly upon customs duties. Of an estimated revenue for 1930-31 of $11,380,500, customs duties accounted for $8,850,000. The fall of commodity prices and the general slackening of trade during the past two years have, of course, seriously affected imports. For each of the financial years from 1925-26 to 1928-29 the budget showed a deficit, and the estimated surplus for 1930-31 amounted to only $15,360.

Sir Richard Squires has been twice Prime Minister, the first time from 1919 to 1923 as head of a Liberal Reform government representing a combination of Liberals and the Fisherman's Protective Union, an independent political organization formed to secure better treatment for the distressed fishermen. It was under this government that the railway system was taken over and the Humber industry established. He was again returned to office in 1923, but party dissension and scandals swept over the government, and Sir Richard retired in 1924 under charges affecting the conduct of the Ministry of Agriculture, and for the next four years was in private life. In the general election of October, 1928, the government of F. C. Allerdice was defeated, and Sir Richard returned to power with twenty-eight out of forty seats in the Assembly.

The financial troubles of the last Fall and Winter have already been described. In February the break-up of the Cabinet began. Peter J. Cashin, the Minister of Finance and Customs, resigned, and two days later, and again on Feb. 16, read in the Assembly charges accusing Sir Richard Squires of falsifying the minutes of the Council and manipulating public funds, and arraigning two members of the Cabinet, for financial irregularities. The investigation demanded by the Opposition was side-tracked by referring some of the charges to Governor Middleton. Sir Richard took over the portfolio which Mr. Cashin had relinquished, but his budget, although formally balanced under the supervision of Sir Percy Thompson, aroused wide dissatisfaction because of new duties on food and fishermen's supplies, and there were further resignations. The outbreak on April 5 followed upon a series of public meetings at which the charges of financial misconduct were aired and an investigation demanded.

Newfoundland's immediate financial outlook is not hopeful. The disruption of world trade has depressed the fishing industry, and unemployment relief constitutes a heavy burden on the treasury. Even if a royal commission is able to point a way out of the economic difficulties, there still remains a long record of government scandals and partisan bickerings which only a new political spirit can terminate.

France Opens Election Campaign

By OTHON G. GUERLAC
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WITH the adjournment of the French Parliament on April 1, after voting the annual budget, political activity shifted to the general elections which are set for May 1 and 8. Even during March attendance at the sittings of the Chamber of Deputies was often reduced by the absence of members who had returned to their constituencies to begin the campaign. The elections will be conducted according to the old system of *scrutin d'arrondisement,* in which the *arrondisements,* or local districts, are electoral units. Instead of there being, as formerly, two weeks between the two ballotings, the elections will be held on two consecutive Sundays.

The ambitious scheme of reform sponsored by Deputy Georges Mandel which included not merely the abolition of the second ballot but votes for women and compulsory voting, was finally abandoned by the Chamber after causing no end of turmoil there and considerable friction with the Senate, which rejected the proposal with scorn and practical unanimity. In vain did M. Mandel, in a stormy night session on March 17, urge the Chamber not to yield to the Senate on a question which concerns the rights of universal suffrage. Apparently the Deputies thought it inadvisable, at such a late hour, to disrupt the whole electoral procedure; they therefore reversed their decision of Feb. 11 by adopting the bill as returned from the Senate and maintaining the status quo. The government, faithful to its promise and having learned its lesson from M. Laval's experience, remained strictly neutral. The final vote was 152 to 111, with a large number of Deputies not voting.

So the general election will take place with the usual free-for-all competition, characteristic of the French system under which any man can run for office simply by notifying the Prefect of the Department of his intention. Except among the Socialists and the Radical-Socialists the French lack of political organization and party machinery is never more striking than in these elections, where it seems as though individuals, not parties, were fighting against each other. That is why many believe that voting by departments, known as *scrutin de liste,* coupled with proportional representation, is more likely to express something besides the personal vagaries of the voters. Both systems have been tried at different times, and proportional representation was retained as late as 1924. But as the results never seemed to satisfy the party in power, the nation in 1928 returned to the system which Briand described in a famous phrase as that of "the stagnant marshes," because in the small electoral districts which are not touched by the great currents of public opinion petty interests and local rivalries are apt to determine the outcome of an election. There the candidates run their own campaigns, pay for their multi-colored posters, launch sometimes their own ephemeral papers, travel from village to village partaking of innumerable beverages, engaging in heated controversies with their opponents and attempting to prove to the voters that they are best fitted to serve the interests of the district.

Too often the choice of the voters

seems to reflect their interest in a man from whom they expect favors and services rather than their viewpoint on a set of principles. Thus the French Chamber, with its innumerable groups and variegated political formations, rarely offers a clear-cut picture of well-defined and well-balanced parties. Even if the Chamber that has just ended its term seemed to be consistently favorable to a conservative policy, this was only because circumstances made a concentration of otherwise heterogeneous groups expedient and profitable.

Whether the next Chamber will be of the same complexion can only be surmised. Several signs point to gains by the Left opposition—the Radical-Socialist and Socialist parties. In the first place, the present economic situation is favorable to those parties which are not responsible for recent parliamentary policies. Moreover, recent municipal elections and bye-elections have indicated a trend to the Left. In fact, M. Daladier, the former leader of the Radical-Socialists, believes that if the trend of the last municipal elections should continue the Radical-Socialists would have 190 Deputies in the Chamber instead of their present 107. But with an electorate body as unstable as the French, prophecy is dangerous.

Undoubtedly there is a great lack of team-work and discipline in the French political campaigns and too often "free shooters" fight by the side of the regular army, but most of the major parties have their plan of battle and the leaders set the objectives for their troops. Already M. Caillaux, speaking at Agen on March 20, and M. Herriot in his numerous addresses, articles and interviews have presented the views of the Radical-Socialists. The Republican Democratic Alliance, which represents the nucleus of the present parliamentary majority, and M. Tardieu himself have sounded the keynote of the governmental policies.

What are the issues in the campaign? The opposition accuses the government of responsibility for the present financial situation with the virtual deficit of the budget and the empty treasury; it attacks the enormous sums spent to rescue certain big banks, various private enterprises and the bankrupt nations of Southeastern Europe. While the Socialists stress what they consider inflated appropriations for the army, the Radical-Socialists feel that the effort for the reduction of armaments has not been sufficient and that the policy of European reconciliation sponsored by Briand has received only the half-hearted support of the conservatives. Their main grievance, however, is the composition of the Tardieu and Laval majority, especially the fact that its mainstay is the Right, whose political philosophy on internal and external matters is anathema to many orthodox republicans. In regard to religious policy, social legislation, the need for popular secondary education —which is still a privilege of the well-to-do middle class—and the support to be given to the League of Nations, the Right and the Left have, if not always divergent policies, at least different conceptions and preferences.

Support for these political loyalties naturally differs. M. Caillaux stated in his Agen speech that the Left has the largest number of voters but that the Right is favored by the nation's economic and financial interests. The first part of this assertion may or may not be always correct; the second, however, seems to be in accordance with the facts.

The government's case was ably presented by M. Tardieu at a gathering of 2,000 people in Paris. He defended the record of the parliamentary majority and its leaders. Financial stability, the measures adopted for the prevention and relief of unemployment, for agriculture and industry, and for social insurance were all discussed in the Premier's customary,

clear, incisive manner. He seemed anxious to show that not merely had he continued the policy of Poincaré, under whose banner the present Chamber majority was elected, but that he had not swerved from the foreign policy of Briand, which was described as one of firmness and conciliation, equally remote from "negative nationalism" and "rash internationalism." Tardieu again maintained that his Geneva plan for disarmament was the only guarantee of peace, since where there is no undertaking between the nations for mutual assistance, there must be liberty of national armed forces. But with pledges for mutual assistance against aggression, reduction of armed forces could be safely permitted.

In the last part of his address M. Tardieu tendered the olive branch to the Radical-Socialists, who split away from the Republican majority after the Angers convention of 1928, and urged them to dissociate themselves from the Socialists and return to the parties of the Centre with which they are really more in sympathy. And there is little doubt that on many points M. Herriot or M. Chautemps could more easily agree with Tardieu than with M. Blum, the Socialist leader. They have done so in the past; the question, however, is whether they would be willing to do so again.

During the two months of his Ministry, M. Tardieu has run true to form, impressing on his majority his dynamic personality and holding it together by his energy and driving power. The address that he delivered at the national funeral of Briand on March 12 showed his ability to rise above his own views or passions to render justice to a policy which he had often bitterly attacked.

With the help of P. E. Flandin, Minister of Finance, and also the cooperation of the Radical-Socialists who abandoned all attempts at obstruction, the budget was voted in a month and a half. In the final all-night session the Premier three times asked for a vote of confidence; in each instance he won by a majority of about fifty. Finally, after the Senate and the Chamber had composed their differences, the budget was passed with a "paper surplus" of 3,831,000 francs—$153,940 at the present exchange rate. Vincent Auriol, the Socialist financial expert, claimed, however, that this "surplus" represented really a virtual deficit of 6,000,000,000 francs, while Senator Gardey in his report estimated it at 4,000,000,000 francs.

FRENCH ECONOMIC SITUATION

The downward trend in State revenues and in the balance of trade is still the outstanding feature of the economic situation. The receipts for the eleven completed months of the fiscal year showed a decrease of $90,680,000 compared with 1931 and of $31,600,000 compared with the estimates. The direct taxes decreased $41,280,000, indirect taxes $44,840,000 and national property $560,000. On the other hand, the statement for February shows an adverse balance of $25,240,000 compared with $13,360,000 in January. For the first two months of 1932 imports decreased much faster than exports, the decline from the totals for the same period in 1931 being $124,800,000 for imports and $70,120,000 for exports.

Railroad receipts as reported for the seventh week of 1932 showed a similar trend—a decrease of $2,120,000 from the figures for the same week in 1931. Because of the burden of taxes, the theatres of Paris recently threatened to close if reductions were not made; as a result the government asked Parliament to reduce the theatre tax from 5 to 2½ per cent and the theatre "strike" was called off. The only bright spot seemed to be in the unemployment figures, since for the week ending March 26 there was for the first time this year a decline—from 305,496 for the previ-

ous week to a total of 303,218. As these figures include only those who have registered for governmental benefits, the real number of people out of work is probably four times as great.

The French method of counteracting the adverse trade balance by means of quota control of imports, limiting the quantity of goods that can be introduced into France, has already hit some forty American commodities. It has created a serious situation for American business. The American Chamber of Commerce in Paris after many unsuccessful protests to the Minister of Commerce appealed to President Hoover to intervene with the French Government. It is not very likely, however, that any relief can be expected in view of the present temper of all governments for the protection of the economic interests of their nationals. To be sure, intervention of this kind at once met with success when the Minister of Agriculture rescinded a decree against the entry of American fruits, which had been barred because of the discovery of San José scale in a large number of apple shipments. M. Chauveau, the new Minister of Agriculture, under the terms of a special order of March 15, exempted from the embargo all fruits wrapped in paper or packed in boxes. Barreled apples leaving the United States after March 9, the date of the decree, are to be admitted only when guaranteed, by a certificate signed by American sanitary inspectors, to be free from contamination.

This protective policy was carried further when the Senate on March 29 approved a bill already passed by the Chamber increasing the customs duty on semi-finished goods from 2 to 4 per cent and on finished products from 2 to 6 per cent. The Minister of Finances argued that the increase was not prejudicial to foreign trade as it aimed only to place on foreign goods a burden similar to that on certain French manufactured articles which are subject to special taxes that are not applied to foreign products.

The quota system found an official apologist in Maurice Petsche, Under-Secretary for Fine Arts, who, in a speech delivered on April 5 before the National Economic Council, explained that French exports had been crippled by tariff barriers everywhere, that capacity to buy within the country had been reduced and that French industry was menaced by an enormous influx of foreign goods. The classic expedient of raising customs duties, he added, was of no avail because the practice of granting export bounties had "falsified the normal play of the customs mechanism." The government had to find something else to save national industry; the quota system was the remedy.

NO PENSION FOR POINCARE

An item in the current budget granting ex-President Poincaré a life pension of $8,000 a year—an item unfortunately lost in the shuffle of the last days between the Chamber and the Senate—illustrates the fact that French statesmen do not enrich themselves in the exercise of power. Besides his term as President, which he ended poorer than when he began, M. Poincaré has been in the Ministry almost as many times as Briand was and much longer. Between Ministries he has had a very profitable practice as a lawyer, but the stabilization of the franc in 1928 at one-fifth of its value brought ruin to the man who was responsible for it in his attempts to salvage the finances of his country. In spite of his indefatigable labors as a writer in the intervals of illness M. Poincaré has seen himself, if not reduced to poverty—he still retains his Senatorial position—at least sufficiently cramped to feel the need of a government pension.

FRENCH STUDENTS STRIKE

The Latin Quarter witnessed in early March a students' demonstra-

tion which, for once, had no actual political bearing. In fact, the movement, which spread over all the law schools of the seventeen French universities, had for its purpose a protest against a bill recently adopted by the Chamber which threatened to cheapen the law diploma required by all lawyers and known as the *licence en droit.* To take this examination it is necessary to have a degree of Bachelor of Arts. The bill voted by the Chamber would have permitted certain clerks in law offices, who had passed a law examination for a "certificate of capacity" to present themselves for the *licence en droit.* Through petitions and a short strike the students succeeded in bringing pressure to bear on the Senate to repeal the proposal adopted by the Chamber, thus maintaining scholastic standards and, at the same time, checking the already serious overproduction of lawyers.

BELGIAN FINANCES

The Belgian Chamber on March 9 approved a bill raising customs duties on meats, butter, fruits, oil and other products. This vote, later confirmed by the Senate, regularized a schedule which had been in effect for three months.

The project of financial reform was voted on March 17 after a three days' debate. All budgetary expenses were reduced 10 to 15 per cent, which assures a saving of $18,210,600. All taxes were also increased by 10 per cent, and in some cases 15 per cent, thus yielding to the Treasury an additional $15,123,200. In this manner the deficit of $33,360,000 was met.

Germany Re-elects Hindenburg

By SIDNEY B. FAY
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IN the German Presidential election on April 10, 1932, Paul von Hindenburg was re-elected by a plurality of 5,942,182 votes in a total poll of 36,491,694. He received 19,-359,642 votes, while his opponents, Hitler and Thaelmann, received 13,-417,460 and 3,706,388, respectively. (These are the provisional returns.) Duesterberg and Winter, the two other candidates of the first balloting, on March 13, 1932, had dropped out. The final figures in the first balloting were: Hindenburg, 18,650,730; Hitler, 11,339,285; Duesterberg, 2,557,590; Thaelmann, 4,983,197, and Winter, 111,432.

It is worth recalling that in the first voting for President, on March 29, 1925, the number of valid ballots cast was 26,866,106, thus divided:

Braun (Socialist)	7,802,497
Jarres (Bourgeois Combination)	10,416,658
Marx (Centrist)	3,887,734
Thaelmann (Communist)	1,871,815
Hellpach (Democrat)	1,568,398
Held (Bavarian People's Party)	1,007,450
Ludendorff (Extreme Reactionary)	285,793
Scattered	25,761

On April 26, 1925, the number of valid ballots cast in the run-off election rose to 30,351,813, divided as follows:

Hindenburg (Conservative Bloc)	14,655,641
Marx (Progressive Bloc)	13,751,605
Thaelmann (Communist)	1,931,151
Scattered	13,416

There were 150,654 void ballots cast in the first election and 216,061 in the second.

Although Hindenburg failed in the March, 1932, polling to secure the absolute majority of votes required for

election on the first ballot, the fact that he received 7,250,000 more votes than Hitler, and that he came within one-half of 1 per cent of the necessary majority made it almost certain that he would easily secure the necessary plurality at the second poll. The election was proof that the sturdy common sense of the greater part of the German people has persisted in spite of the nation's difficulties and its humiliating international position and in spite of the oratorical promises of Adolf Hitler. Chancellor Bruening's efforts for German political and economic reconstruction were strengthened by the election, while the way was paved for greater progress on the disarmament, reparations and debt problems than would have been made had Hitler been elected.

On the streets of Paris, when the election figures showing Hindenburg's large lead over Hitler at the first voting were announced, there were cheers for the man who had been one of the leading commanders of the German armies in the World War. In contrast to Hitler, Hindenburg was regarded by the French as a relatively "safe" candidate. It is to be hoped that the outcome of the German election may have a calming effect in France and strengthen the Left parties there in the general election to be held in May, so that on both sides of the Rhine there will be moderate and not extreme nationalist elements in power. With moderation on both sides there may be some hope of making progress on all the questions which keep Europe politically divided and economically depressed.

The outcome of the voting on March 13 showed several things. Hindenburg proved to be a very popular figure personally, and polled a larger vote than could have been secured by the parties supporting him if they had been seeking seats in a Reichstag election. Hitler did not come up to the claims which he and his supporters had made. Duesterberg, the Nationalist candidate of the Hugenberg party, did not run as well as his backers had hoped. His 2,500,000 votes were insufficient to make it possible for Hugenberg to bargain with either Hindenburg or Hitler for the support of the Nationalist followers at the second balloting, as they were not numerous enough to turn the scale in favor of either candidate. Duesterberg withdrew from the race. Hugenberg then told his followers they could vote as they liked, thus breaking up the "Harzburg coalition," by which the Nationalists and National Socialists had been in cooperation against Bruening for several months. Finally, the Communist party, with its 5,000,000 votes for Thaelmann at the March elections, was proved not as strong or as great a danger to the German Republic as many people had feared.

In view of these facts, the campaign before the April election was less exciting and intense than that before the March voting. Moreover, President Hindenburg decreed a fortnight's political truce extending over the Easter holidays, forbidding all party meetings and demonstrations. When the truce ended, on April 3, Hitler again took the stump, making several fervid speeches each day, hurrying about in airplane or automobile and addressing mass meetings of his enthusiastic followers. Bruening and the government leaders did likewise, though in less spectacular fashion.

Karl Severing, the Prussian Minister of the Interior, caused a political sensation throughout Prussia on March 17 by ordering his police to seize the secret papers of the National Socialists. He stated that 500,000 Hitler "storm troops," including automobile and motorcycle detachments, had been made ready for mobilization at various points throughout the State. It was said that a code message, "Grandmother dead," was to be broadcast as the signal for each unit to march to the nearest large town and seize power. Though this last charge may

be based on mistaken assumptions, there is no doubt that Hitler has founded his organization as far as possible on a military basis and that he is surrounded by a large staff of former army officers who are familiar with efficient espionage and military methods.

The material seized by the Minister of the Interior has been photographed and in part returned to its owners; the rest is being studied. According to the Prussian police, investigation has shown that it was proposed to put the organization into action on the night of March 13 if the election of Hitler to the Presidency that day threatened to provoke disorders. In a statement to the press explaining his raid, Severing declared that he had been fully aware of the existence of the Nazis' organization days before the election, but had declined to intervene as he was convinced that his police were able to cope with any outbreak. Furthermore, he desired to avoid the suspicion that he was seeking to influence the voters against Hitler on election day.

THE REPARATIONS PROBLEM

Though it is unlikely that any formal consideration of the problem of reparations and war debts will take place before the meeting at Lausanne in June, the subject is being given a great deal of private discussion by European statesmen and economists.

Lloyd George has published recently a volume strongly urging the general cancellation of all reparations and war-debts as the necessary preliminary to any rehabilitation of world commerce and industry. This is a counsel of perfection which it is to be feared will not find acceptance with politicians on either side of the Atlantic. Sir Arthur Salter, who is close to the British Government and was long an economic expert at the League of Nations, is the author of a book, *Recovery: The Second Effort* (Century), on Europe's crisis which contains a reparations plan that is said to be remarkably close to what Ramsay MacDonald is supposed to be ready to sponsor. Sir Arthur wants to see the non-postponable reparations — about $150,000,000 — as well as the international war debts, retained formally but written down to conform with the reduction in world prices. On this basis he estimates Germany's maximum annual contribution at about $100,000,000. He would provide for part of this payment by reparations in kind, which it is Germany's own interest to make. The balance would be obtained by dividends on the common stock of the German Railway Company, the largest industrial corporation in the world. As in hard times this stock would pay nothing, Germany would be required to pay reparations only in case she could afford them. He also argues that Great Britain should be granted the same low rate of interest on her debts to America as the other debtor countries, and should continue the policy of collecting no more than she owes.

At the time the Young Plan was adopted there was a general objection on the part of many countries, especially Great Britain, to Germany's paying reparations in kind. Therefore the Young Plan provided that they should decrease steadily from year to year and finally cease altogether after ten years. The British felt that the importation of German goods in the form of payments in kind damaged British markets on the Continent, since Germany exports a good many basic commodities which are also produced by British industry. Moreover, the payments in coal to France by Germany had seriously interfered with the British export of coal, notably to Italy and Spain, where the French were able to sell German coal at a price which the British coal exporters could not meet. But there are many German exports, like lumber, nitrates and other chemical products, which do not seriously compete with what France and Great Britain produce. It may be, therefore, that these two countries will agree upon a plan

whereby German reparations in kind shall be paid in larger amounts than stipulated under the Young Plan, but that these payments shall not include coal, thus permitting the British to regain their lost Continental markets and allowing France still to receive some reparations.

While it is likely that in one form or another the moratorium given to Germany must be extended to some extent at Lausanne, it is plain that payments in kind are more susceptible of being resumed than payments in cash. German industrial leaders, it is reported, are not so opposed to the plan for larger payments in kind as would appear from the recent political declarations in Berlin. Such a solution might revive German industry and reduce unemployment, but the immediate problem would be to find means within the Reich to finance payments to German producers for the deliveries in kind.

Meanwhile it is reported that Bruening is planning to balance the German budget without making any provisions for the payment of reparations, which the Advisory Committee of experts of the Bank of International Settlements declared last December to be beyond Germany's present capacity to pay.

GERMAN BUSINESS CONDITIONS

The Junkers Airplane Works and the Junkers Motor Company announced suspension of payment to creditors on March 22. A recent examination of the status of the concern showed that the assets were nearly double the liabilities, so that the present difficulties are caused only by frozen assets and the failure of negotiations to secure new funds from the government. The airplane factory is working at nearly full capacity to fill orders from Scandinavian countries, Argentina and Far Eastern nations. Professor Hugo Junkers, whose ingenuity and research built up the company, owns and controls nearly the entire concern.

A sweeping scheme of reconstruction for the Hamburg-American and the North German Lloyd lines was made public on March 19. Unlike the German banks, the German shipping companies have successfully overcome the difficulties of past years and are still strong enough to get along without a direct public subsidy. Under the new German scheme the two great German shipping companies will be financially reorganized through the cooperation of banks, creditors and the government, which will assist only by partially guaranteeing the liabilities of the lines for one year.

In exchange for this guarantee the companies pledge themselves to a program of rigid economy during the period of depression. Virtually no new ships are to be built and old vessels are to be broken up. While not merging, the two lines are united by a close pooling agreement and will carry further the program adopted more than a year ago of dissolving competing agencies, dividing business and cooperating for mutual interests. They will have henceforth one supervisory board to consist of thirty members, of whom one is to be a trustee of the government and eight others are to be appointed only with governmental consent. While this assures a certain influence of the government on the business policies of the lines for one year, it is emphasized in the official statement that the lines are to remain private concerns, especially as "the business policies of the lines are free from all blame." In the past year they earned $33,000,000. It is expected that the new scheme will result in economies amounting to $10,000,000.

The population of Berlin on Jan. 1, 1932, was 4,288,314, a decline of 43,721 during the past year. Approximately a quarter of the decrease was the result of an excess of 10,714 deaths over births; the remainder was due to emigration.

Spain Continues War on Church

By WILLIAM E. LINGELBACH
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SPAIN this year, for the first time in its history, officially neglected Holy Week, and the Cortes held its regular sessions even on Good Friday. The traditional Easter week services, extending in places over a fortnight, have for centuries been lavish and spectacular, attracting thousands of visitors, especially to Seville and Granada, where the processions were world-famous. This year much less was made of the celebrations, especially the processions, because of the hostility of the government, fear of radical attacks and the unwillingness of the religious brotherhoods to seek the necessary permission from the lay authorities. As a result, the procession of the Virgin de la Estrella was the only parade of its kind in Seville. Even this was attacked, three persons being killed and thirty-two radicals arrested, several of whom were seriously beaten by the indignant populace.

Anti-church agitation interfered with the religious celebrations in other places. At Antequara, the industrial centre for tanneries and the silk and wool manufactures of the province of Malaga, a mob of strikers, after a fight with the civil guard, burned and destroyed a monastery. During the interpellation in the Cortes on the incident, the government speaker characterized it as one of "extreme savagery." On the other hand, Manuel Cordero, the Socialist Deputy, retorted that "the populace there is 85 per cent illiterate, although there are twenty rich monasteries in the vicinity. While I regret the incident, the feeling among such people is understandable." This speech expressed the hostility of the Left to the church and the insistence upon speeding up the government's education program, which calls for 28,000 new lay schools in three years. More than 7,500 have been opened since May, 1931, but over half the schools are still in the hands of the church, since the shortage of teachers and of money makes it impossible to secularize the entire system in a short time.

Financially the republic is not only practicing rigid economy but is doing everything in its power to avoid becoming under too heavy obligations to foreign influence through borrowing. Jaime Carner, the Minister of Finance, announced on March 14 that the offer of a foreign syndicate to float a new loan had been rejected, the government being confident that Spanish resources were adequate to finance a bond issue.

Meanwhile Spain is drawing closer to her Latin sisters in the matter of trade. Following close on the heels of the Franco-Spanish commercial treaty came the Italo-Spanish trade accord published in the official gazette late in the month. According to its terms, Spain extends preferential tariff privileges to certain Italian commodities —notably cloth machinery, automobiles and tires—in return for advantageous duties on Spanish products entering Italy. The commodities on which preferential rates are granted are of peculiar interest to the United States because they make up the bulk of our trade with Spain. The new agreements are therefore especially discriminatory against us and seriously threaten what was developing into a very promising trade. Without

the most-favored-nation clause in our commercial treaties with these countries, however, our trade is at the mercy of discriminating tariff legislation and hostile treaty arrangements. In the meantime, International Telegraph and Telephone, Inc., with other foreign corporations of its kind, is faced with the government's policy of nationalizing all power and public utility corporations.

SPAIN'S MOROCCAN POLICY

On the subject of Morocco, the government, after considerable hesitation, has finally announced its policy with much clarity and good judgment. Spain will not withdraw from Morocco, but under a program of rigid economy will proceed to a vigorous development of the region. Spanish Morocco consists of a strip of about thirty miles in depth on the African Continent, extending from Tangier on the Atlantic in the west to a point about twenty miles east of Melilla on the Mediterranean. Since peace was restored in 1926 public works and roads have been built and a policy of conciliation developed which has put the relations between the Spanish and the natives on an eminently satisfactory basis. According to an official announcement a Spanish unit will replace the Spanish Foreign Legion, which will be disbanded. Spain will police Morocco, so Premier Azana has announced, by soldier-colonizers, who will be encouraged to take up land and establish themselves permanently in the region.

AGRARIAN REFORM IN SPAIN

In domestic matters, the government has made considerable progress on the supplementary legislation to republicanize the nation. A bill for agrarian reform was introduced during the month by Marcelino Domingo, the Minister of Agriculture. It provides for the expropriation, without indemnification, of hereditary estates of feudal origin. Only claims for improvements will be recognized. Non-feudal land which will be expropriated, will be paid for partly in cash and partly in special government bonds, the plan providing for an expenditure of $5,000,000 annually for the expropriation of the land of the great landowners in favor of a wider distribution of peasant ownership.

END OF MILITARY POWER

Vigorous steps were taken during the month to carry further the elimination of the army from politics. Once all powerful, the Spanish Army is being entirely obliterated from public affairs. The new regulations provide that pay will be withdrawn if the officers interfere in any way with political matters. At the same time, the *Army and Navy Journal* and the *Correspondencia Militar* have been ordered to liquidate.

SPAIN'S INTERNAL UNREST

While aristocrats and reactionaries are being curbed, radicals of the Left are more or less active. Communists and Syndicalists continued during the month to make trouble; violence and strikes accompanied by bombings occurred sporadically in different parts of the country. In Barcelona the workers made several abortive attempts to take over industries. On March 21 the press reported that a Communist plot for an uprising throughout the South and East, on April 14, the anniversary of the founding of the republic, had just been discovered. According to the papers seized, funds and agents were furnished by Moscow. A week later, the police arrested fifty-eight radicals in a raid on the Sindicato Unico at Barcelona. On the other hand, the bombing of the offices of the Free Port of Barcelona on April 4 seems to have been the work of Separatist agitators.

ITALIAN ECONOMIC TREND

Economic questions were conspicuously prominent in Italy during March. Despite Mussolini's optimistic

forecast and his announcement on the occasion of the thirteenth anniversary of the founding of Fascism on March 23, of the return of prosperity in the near future, unemployment continued to increase, reaching the unprecedented total for Italy of over 1,150,000, or six times the monthly average during 1926, and an increase of 100,000 since Feb. 1 of the present year.

On the other hand, the news in connection with the new 1,000,000,000 lire loan—$52,000,000—to retire a similar amount of 5 per cent treasury bonds maturing next November, is most encouraging. The new bonds, which also bear interest at 5 per cent, were reported as oversubscribed even before the public offering. Like the loans in connection with the first great refunding of the Italian national debt in 1904, the response of Italians is gratifying evidence of their confidence in the national government. Further, it marks a significant tendency to provide for the financial needs of the government from resources within the country itself, thus materially increasing the stability of its money and credit system. In entire accord with this is the further decrease during February of 324,000,000 lire in the paper money in circulation, the total reduction in the twelve months preceding being nearly 1,250,000,000 lire, despite a more than 50 per cent rise in the buying power of the lira.

FASCIST PROPAGANDA METHODS

The production of the play *Villafranca,* of which Mussolini is apparently a co-author with Giovacchino Forzano, marks an interesting phase of Nationalist propaganda not unique in post-war Italy. It is the first play that Mussolini admittedly helped to write, although it is reported that he suggested the plot for *Campo de Maggio,* in 1929. The plot of *Villafranca* deals with the diplomatic and military events which led to the unification of Italy, and is regarded by some as a definite effort on the part of Fascism to bring the Risorgimento into line with Fascist ideals. In a measure this is being accomplished and Italian youth will perhaps see the great idealist Mazzini in a new light.

In addition to the Mussolini-Forzano play, the Premier, later in the month, announced that he was about to publish a book on the great achievements of the Italians, especially on those relating to their share in the making of the new world. Foreign Minister Grandi, who is editing the book, believes it will greatly stimulate the pride of Italians in their past and in themselves. The book is to be published by the government printing press.

CONSTITUTIONAL REGIME IN PORTUGAL

The Portuguese Minister of the Interior at a meeting of the civil governors of the different cities on March 2 announced that the military dictatorship of President Carmona was soon to come to an end and that a President elected by direct vote of the people would take his place under a new Constitution patterned after that of the United States. Three weeks later, on March 21, the announcement was confirmed by General Domingos de Oliviera, the Prime Minister. The new Constitution prepared by the government, he said, will soon be submitted for ratification to the people.

In general the announcement created very little excitement. The dictatorship is successfully maintaining law and order and carrying the nation successfully through the economic depression. There is, therefore, no widespread opposition, the more so, since the dictatorship seems to be in complete sympathy with the Nationalist movement, which is again manifesting itself in a demand for higher tariff rates.

Polish Parliament Loses Power

By FREDERIC A. OGG
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PARLIAMENTARY government in Poland during March took a new, and apparently backward, step on the hazardous road which it has traveled since the creation of the republic. The Sejm, in compliance with urgent demands from the government, passed before adjournment on March 14 a measure authorizing the President for three years and during recesses of Parliament to issue decrees with the force of law. The unification of laws may be effected by decree and, during the Parliamentary recess, which is scheduled to last until next October, decrees may be issued upon all economic and financial affairs except taxation and foreign loans. In defense of the measure it was urged that under existing economic and financial conditions the Parliamentary machine is too slow and the Executive must have freedom to act swiftly.

President Moscicki, in accordance with the new grant of powers, inaugurated on March 30 a series of monthly conferences with Premier Prystor and all former Premiers since the Pilsudski dictatorship began, with a view to planning the decrees to be promulgated. Executives everywhere, in these days of impaired faith in popular representative bodies, are growing in power. Few Parliaments of Western and Central Europe, however, have authority which is as shadowy as that left to the Sejm at Warsaw.

In protest against a government project for unifying the system of social insurance, reducing benefits and shifting upon the workers part of the burden of unemployment and sickness insurance previously borne by employers, approximately 50 per cent of the country's working population participated in a one-day strike on March 16. The trade unions, under Socialist impetus, proclaimed a strike in all branches of employment, but the workers on railways, tramways and other public utilities did not take part. Clashes with the police resulted in a number of deaths.

On taking office as Polish High Commissioner at Danzig on March 23, Dr. Casimir Pappee pronounced Polish-Danzig relations far from satisfactory, but asserted that "Danzig is the port of Poland and is permanently connected with the Polish Republic. * * * Danzig can exist and grow only as a Polish port. * * * The Free City was created to serve that purpose and must be governed so as to fulfill the obligations imposed upon it by the treaty of Versailles." The chief matter of contention at the present time is that of customs administration — more particularly the flow of German-made goods into Polish markets under the guise of having been manufactured in Danzig, and therefore of being duty-free. With a view to suppressing the abuse, the Warsaw Government has notified the Danzig High Commissioner that the entire work of customs administration at the Free City must forthwith be handed over to Poland. Announcement of this plan, however, has stirred strong protest on the part of Danzig residents, who argue that if carried out the change will destroy the last vestige of the Free City's intended commercial autonomy.

Poland and Germany since 1925

have been engaged in a tariff war. Last December the Warsaw government decreed a prohibitive tariff on German goods in retaliation for the German maximum tariff on Polish imports. As trade between the two countries threatened to collapse, Poland, at the middle of March, proposed mutual ratification of an abortive treaty signed in 1930, or, in lieu of that, the negotiation of a new treaty. Germany was not prepared to go so far, but an agreement has been reached under which German maximum rates will be applied to only a stipulated list of Polish commodities, while Poland, in turn, will modify certain increases of rates made in December.

RUMANIAN STUDENT RIOTS

Serious Rumanian student rioting occurred in the neighborhood of the university at Bucharest on March 22 and 23, in protest against certain bills pending in Parliament which were regarded by the rioters as affecting their rights. Taking advantage of the disturbance, Communists smashed the windows of the Senate building, while at Jassy other demonstrations, chiefly by students, took a decidedly anti-Semitic turn. Premier Jorga, himself a university professor, conceded in a speech in Parliament that the dissatisfaction of the Bucharest students was justified.

The domestic difficulties of the royal family still are featured in the world's press. Late in March, Princess Helen, the estranged wife of King Carol, went to Bucharest to see her son, Michael, and was received in a manner distinctly friendly. It was reported that her brother, the former King George of Greece, who preceded her to Bucharest, interceded with the King in behalf of a more generous financial allowance for her.

CZECHOSLOVAK FINANCES

The essential soundness of Czechoslovakia's financial position is revealed by the fact that neither the repayment of some $59,000,000 of short-term indebtedness abroad during the last half of 1931 nor the inability, because of moratoria and other measures, to recover an equal amount due her for exports abroad has in any degree shaken confidence in the crown. When, during the first week of March, the French Parliament approved a Czechoslovak loan of $24,000,000, Premier Tardieu aptly pointed out that the money was designed, not to meet a deficit, but only to tide over the temporary lack of liquidity of the Czechoslovak Treasury as a consequence of the effect of the world crisis on the country's income. Coupled with reductions of expenditure and the tapping of certain new sources of revenue, the French loan has placed Czechoslovakia's finances in as satisfactory a position as any nation can expect under existing world conditions. French bankers considered it significant, however, that without support from Paris not even Czechoslovakia could raise the money she required.

YUGOSLAV CABINET CRISIS

A long-threatened political crisis in Yugoslavia occurred on April 4, when General Pera Zivkovitch, Premier since the establishment of the dictatorship in January, 1929, resigned with all his Cabinet and was succeeded by Foreign Minister Marinkovitch. The new Cabinet, however, was identical with the old except for the Premiership. Whether the public discontent that proved General Zivkovitch's undoing will eventuate in an era of greater Parliamentary freedom remains to be seen. The Opposition, severely handicapped by the restrictions imposed upon it both under the formal dictatorship and under the more veiled dictatorial régime of the past year, is expected not only to demand new elections but also to insist upon a revision of the extraordinary Constitution put into effect by royal decree last September.

Kreuger's Vanished Millions

By JOHN H. WUORINEN
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THE vanishing of millions which the Kreuger interests were supposed to have held has had widespread consequences. The first news of Kreuger's suicide gave the Paris Bourse the worst day it has had since the Kreditanstalt failure, and security exchanges in other countries suffered a sharp fall in prices. Believing that the suicide would precipitate a rush of creditors on the Kreuger companies, the Swedish Government obtained authority on March 13 to grant moratoria on private payments for a month, and the Stockholm Stock Exchange was ordered closed. That the necessary legislation was rushed through both chambers of the Riksdag in the early hours of the morning indicates the extent of official concern over the situation. Three days later, the government appointed Ernst Lyberg, former Minister of Finance, supervisor of the Kreuger & Toll concern during the period of the moratorium. It was thus clearly shown that the country was dealing with no mere private business disturbance.

The first specific indication of the lay of the land was given on March 25. On that day the committee appointed to investigate the position of the Kreuger & Toll Company issued an interim report in which it declared for a prolonged moratorium. It was suggested that such a procedure was necessary in order that forced and disastrous liquidation by domestic and foreign interests might be avoided. The report said that "the preliminary results of the inquiry seem to indicate that the position [of the Kreuger concerns] is not strong"—a characterization to which exception was taken by Lee, Higginson & Co., banking representatives in the United States of the Kreuger & Toll interests. In a statement dated March 25, the American banking house asserted that the conclusion of the Stockholm committee was quite at odds with Mr. Kreuger's last report of the condition of his business affairs and with the 1931 annual statement of the Kreuger concerns.

On March 30, loans totaling about 150,000,000 kronor (approximately $30,000,000), were arranged by the Swedish Government and by private banks in order to maintain the liquidity of the Skandinaviska Kreditaktiebolag Bank, strained by the difficulties of Kreuger & Toll. The Swedish Treasury, it was also announced, would make itself responsible for the engagements of the bank to the National Bank, in case they exceeded the government's 100,000,000 kronor share of the loan. Prime Minister Ekman had made a statement on the preceding day to the effect that the government was contemplating, with Riksdag support, a plan designed to help Swedish credit institutions that had been hard hit.

That such action would be required in the near future was to be gathered from the report, issued on April 5 by accountants who had been investigating the books of the Kreuger companies. This report said that the 1930 balance sheet of Kreuger & Toll "grossly misrepresented the true financial position of the company," and went on to state: "In some instances there is reason to believe that the assets * * * set up in the books were either greatly in excess of the items they purported to represent or entirely fictitious—or represented a duplication of assets belonging to or appearing

on the books of the associated companies. Moreover, even if some substance should lie behind these book assets and accounts, there are instances where the description and classification in the balance sheet are entirely misleading." The 1930 balance sheet had been made under the personal direction of Kreuger. Lee, Higginson & Co., in a statement issued in New York on April 5, declared that the serious irregularities that had been revealed had been concealed "only by the most flagrant misrepresentations" and referred to the "gross frauds" that had been perpetrated by Mr. Kreuger in connection with his company's affairs.

These revelations created a sensation in the Swedish capital comparable to the shock of Mr. Kreuger's death itself. When the report became known, the lower house of the Riksdag was debating the question of government aid for Mr. Kreuger's bank, the Skandinaviska Kreditaktiebolaget. "We know now that the Kreuger company broke down not because of bad luck or bad conditions but because of dishonesty," declared Mr. Endberg, editor of the *Social Demokraten;* "the report is bound to hurt our reputation abroad. The only way we can retrieve that reputation is by complete honesty. No matter what is yet to be revealed, we cannot allow any one to hold the impression that we are going to hide anything." Whether the Swedish Government will find it necessary to lend more money to institutions weakened by the catastrophe is not known at the time of writing.

LIQUOR QUESTIONS IN SCANDINAVIA

During the month of March, Finland prepared to return to a system of legalized liquor consumption. The necessary stores of intoxicants were obtained—it was reported on March 17 that some 875,000 bottles of strong drink had been ordered by the government alcohol corporation—and when the new law went into effect on April 5, all demands for "conversation aid" were pretty successfully met. On that day, the government liquor shops were besieged by crowds from early morning on, and newspapers appeared with editorials and poems extolling the beginning of a new era, as well as with a profusion of liquor advertisements. The country's official change—for one can hardly call it anything beyond an official change—was effected in a jovial, orderly manner, and the police reported no increase in drunkenness.

In view of the abandonment of prohibition in Finland, the decision reached at the Swedish national prohibition congress, which met in Stockholm in the early days of March, is not without significance. The program approved by the congress no longer includes prohibition as an immediate objective, but seeks to attain its goal of temperance by means of continued individual restrictions and higher excise taxes. In other words, it was declared that the Swedish Bratt system, with its individual rations, should be maintained alongside of the Danish system of higher taxes until the higher rates have shown themselves effective in reducing liquor consumption.

In 1915 Iceland enacted a law forbidding the sale of alcoholic liquors. The blanket prohibition was modified in 1922 as a result of retaliatory Spanish duties imposed on Iceland's exports of fish to permit the importation of wines and spirits containing up to 21 per cent alcohol. During the past decade, the friends of temperance in Iceland have found, however, that illicit distilling and drunkenness have been increasing. It was thus that a bill introduced to the lower house on March 15 advocated that the government grant concessions for the brewing of beer up to 4 per cent. Another noteworthy revision of existing liquor legislation was contemplated in Norway, when the government submitted a proposal to the Storthing, which would provide unrestricted sale of beer, easier purchase of stronger in-

toxicants and a modification of the present local option regulations—presumably in favor of restaurants and clubs which are located in dry communities.

DANISH AFFAIRS

The question of paring down the Danish military and naval expenditures was taken up again on March 16, when the proposals of the Venstre (the Left, or Liberal, party) were introduced into the Landsting. The program called for yearly army appropriations amounting to 24,000,000 kroner (less than $6,500,000) and for naval expenditures of 11,500,000 kroner. The government proposal, which has been periodically discussed since 1929 and has undergone certain changes during the past three years but is still calling for lower appropriations, was also debated. The members of the Venstre held the government program to be unacceptable, and together with the Conservatives were able to defeat it, 39 to 33, despite the Radicals and the Socialists.

Denmark has made strenuous efforts to find relief from the economic depression. A significant arrangement was effected in the closing days of February, whereby the unemployed in Copenhagen were given rebates ranging up to 10 per cent on a large number of commodities, especially foodstuffs. On March 4 the government presented a proposal for higher taxes, which was designed to yield over 20,000,000 kroner (more than $5,000,000) for the relief of the unemployed. A week later Prime Minister Stauning urged drastic changes in the organization and economic life of Denmark. He advocated the abolition of the upper house of the national Legislature—this suggestion has been made several times during the past few years, especially because of the Conservative opposition in the u] house to the disarmament scheme Stauning and his colleagues—and establishment of an advisory bod deal with economic questions. Premier held that the time is proaching when the State must cor (or direct those who do control) duction, commerce and such matte that, in other words, a planned managed economic system is nee

THE MEMEL QUESTION

The situation in Memel has mained unsolved, and reached a and acute stage on March 22 v Edouard Simmat, the newly appoi President of the Directory, failin obtain the desired vote of confid from the Memel Diet (the adv vote was 22 to 5), dissolved the] By so doing, Simmat defied G Britain, France and Italy, for t countries had observed in notes mitted to the Lithuanian Governi that the dissolution of the Diet w be "in conflict with the recomme tions of the League of Nations.' March 23 it was reported that German Government had subm notes to Kovno, London, Rome Paris protesting against the dis tion and declaring that the app ment of the Cabinet headed Simmat, as well as the dissolu was in conflict with the statute g anteeing Memel's autonomy. The ers that guaranteed the statute requested to take the case of ex-P dent Otto Boettscher before the W Court and to prevent any undue i ence by the Lithuanian Governi upon the forthcoming elections. At tion was called particularly to rep from Kovno that the Lithuanian ernment planned to transport I uanian subjects to Memel for purpose of obtaining the results sired at the polls.

Soviet Peasants Force New Crisis

By Edgar S. Furniss
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CONDITIONS in the grain-producing regions of the Soviet Union have become so unfavorable during the past month that something in the nature of an agrarian crisis has appeared. This is not of abrupt and unexpected origin. Since late last Fall there have been indications that things were not going as well in this branch of the Five-Year program as the official statistics of the progress of collectivization would lead one to believe. Almost immediately after the harvest the government began to encounter difficulties in collecting grain for urban consumption and for export —difficulties which called forth measures of compulsion that increased in severity as the months passed.

The situation was attributed at first to the "immorality" of the peasants, who, failing to catch the social spirit of the collective system, were hoarding for their own use food crops which should have been made available to serve national needs. As propaganda intended to shame the peasant into better social behavior failed to remedy the situation, more aggressive measures were adopted. Individuals were haled before the local Soviets and there denounced and punished; forcible seizure of grain was attempted wherever hoards were discovered; and finally the local Soviets began to impound the live stock of individual members of the collectives both as a measure of discipline in connection with the grain-collection campaign and as a direct means of increasing the public food supply.

The effect of these policies was disappointing, and in some respects even positively injurious to the Soviet program. Toward the end of the Winter certain of the chief grain-producing areas had not only ceased to supply the expected foodstuffs but had begun to demand food relief for their own population. In March conditions approached a crisis when the Spring sowing campaign was threatened with disaster because of the government's inability to provide the requisite seed grain. The Soviet press then announced that only 60 per cent of the necessary seed was available and expressed grave concern lest the entire harvest program for the year be jeopardized. Immediately all the machinery of the government was mobilized to grapple the problem. At the same time attempts were made to allay the growing antagonism of the peasants by calling a halt upon the coercive measures of the local officers, especially with regard to the forcible socialization of live stock. A decree of the Central Executive of the Communist party published on March 27 denounced these practices as an offense against the declared policy of the government and threatened immediate expulsion from the party for all officers who failed to put a stop to them.

These agrarian difficulties are the result of a combination of causes. Of fundamental importance is the partial crop failure of last year, about which the world is only now receiving reliable information. No final figures for the crop have ever been published by the Soviet Government, presumably because it was not considered good policy to announce that the result of the much-advertised agricultural revolution had been disappointing. It is now clear, however, that Russia not only has no grain for export but is obliged to distribute food grains to

large sections of her own peasant population. Another factor in the situation was a serious miscalculation by the Soviet authorities of the importance of the small independent producer in the scheme of things. During the era of enforced collectivization multitudes of small enterprises which had been supplying the urban market with garden and poultry products were put out of business, and at the same time the small private traders who had formed an important link in the distributive system were brought under the ban.

The government, discovering belatedly the importance of these capitalistic undertakings, has attempted to repair the damage done by their extinction, but the effect of its earlier policy is now becoming apparent. In addition to these causes of actual scarcity of foodstuffs, other phases of Soviet policy have made it difficult to move the existing grain supplies from the farm to the market. Chief among these are the embargo on imports of goods for consumption, the industrial policy which has permitted the "starving" of factories purveying to the consumer so that the heavy industries might expand, and the export policy which has sold abroad goods sorely needed at home. These are all essential attributes of the Five-Year Plan, but their effect has been to deprive the peasants of any inducement to part with their surplus products, since there was nothing to be bought with the rubles received from the sale.

The situation with respect to live stock illustrates the limitations under which even the most dictatorial of governments labors when it attempts by compulsion to control the behavior of great numbers of people. The present dearth of farm animals is the direct result of the drastic means employed two years ago to force the individual peasants into the collective farms. This coercive policy was successful in the sense that it overrode the opposition of the recalcitrant peasants and compelled them to turn their landholdings into common prop erty, but it led to a wholesale slaugh ter of cattle, pigs and sheep as a fina act of defiance against forcible social ization.

It will be recalled how Stalin at tempted to relieve the situation by his vigorous rebuke of "hothead" party officials and his demand for an imme diate surrender of the coercive policy in favor of persuasive methods. The damage had been done, however, be fore he acted. It is estimated that a third of the cattle and more than half of the smaller live stock in the coun try were destroyed in 1929 and 1930 before the government could put a stop to the aggressive practices of its local officers. The recent decree re ferred to above is similar in tone and purpose to that of Stalin two years ago, and arises from the same circum stances. It registers the conviction of the government that the passive re sistance of the peasants is too strong and too injurious to permit a continu ance of aggressive governmental tac tics. The official press, commenting on this decree, stated that the country was in danger of another "slaughter campaign" as a result of the forcible seizure of the peasants' farm animals during the recent months. Anything like an organized rebellion among Rus sia's gigantic rural population has been crushed, but the inarticulate mass of peasantry still has power to checkmate any policy of government which disturbs too violently its ac customed mode of life.

During the past two years the So viet Government has made heroic efforts to repair through its own agencies the damage caused to the livestock supply by its short-sighted policies. Altogether, 1,480 State stock farms have been organized, with 2,500,000 head of cattle, 860,000 pigs and 4,750,000 sheep which are expect ed this year to contribute substan tially to the country's food and indus trial supplies. That this part of the Five-Year program has developed un satisfactorily is shown by the fac

that on April 1 several score of farm managers were peremptorily dismissed from office, while criminal proceedings were begun against thirty-five others. The latest development is the invitation issued to an American stock breeder, Robert P. Lamont Jr., son of Secretary of Commerce Lamont, to take over the management of the entire Soviet cattle industry. Mr. Lamont is now in Russia investigating the problem. The task laid out for him by the terms of the plan for the next five years is a gigantic one. Russia proposes in that short space of time to raise her per capita meat consumption to a level with that of the United States, despite the fact that her population exceeds ours by some 40,000,000 and her present stock of meat animals is less than half of ours.

A dramatic incident of the recent agrarian disturbances has been the attempt of many despairing peasants to escape across the frozen Dniester River into Rumania. This movement, beginning three months ago, has swelled in volume as the Soviet agrarian agencies adopted more coercive tactics, until by the end of March it involved hundreds of families. The fugitives for the most part are people of Rumanian stock, citizens of the Moldavian Soviet Republic, who are fleeing from their homes as a protest against the forcible seizure of their grain and live stock and the pressure upon them to add their land to the collectives. Their action places them beyond the pale of Soviet law, for it is classed with civil war and counter-revolution as treasonable conduct. Hence the Soviet border patrol is under orders to shoot at sight. According to recent dispatches from Bessarabia, upward of 1,000 of these unfortunate people—men, women and children—have been killed by the guards.

SOVIET INDUSTRIAL PROGRESS

In the industrial as contrasted with the agrarian phases of the Five-Year program, current reports present a more favorable picture. The State Planning Commission has made public preliminary figures for the first quarter of the year which discloses substantial progress over the same period last year. It reports that light industry is in general "accomplishing its program satisfactorily." In certain basic lines the published increases of output over that of last year were as follows: Electric power 45 per cent, coal 39, oil 11, pig iron 30, steel 19, non-ferrous metals 25, locomotives 54 and freight cars 50. The record of progress is emphasized by a number of individual achievements of heroic size, such as the completion of the gigantic Dnieper River hydroelectric installation, upon which the American engineer, Colonel Hugh Cooper, has been at work for the past five years, and the bringing into operation of the Magnetogorsk steel plant, which is described by William A. Haven, another American engineer, as "the most important accomplishment in the metallurgical field of the Soviet program." Perhaps the most favorable indication of the future progress is the steady improvement of the transport system to a level of performance 35 per cent above last year's. The breakdown of rail and water transport in 1931 was so serious as to threaten disaster to the entire program.

Though these fundamental services still fell 15 per cent short of their schedules, they appear to have overcome the most formidable of their difficulties. There are still serious weaknesses in the program, especially with respect to metal production, which despite the increases stated above lags 50 per cent behind the schedules. Another type of difficulty is represented by the abrupt closing of the great Nizhni-Novgorod automobile factory which only recently began production, heralded by the Soviet press as the first demonstration of Russia's ability to practice mass production on the model of the capitalistic world. But the Soviet system of divided responsibility for management and of ineffec-

tive discipline within the labor force has brought the huge enterprise to a standstill. On April 3 the Politbureau undertook to reorganize along capitalistic lines the relationship of manager to worker in the factory, announcing also that the newer methods would be applied to other industries as well.

The future of the industrial program seemed bright enough to induce the Soviet Government to announce on April 1 a rise of from 12 per cent to 18 per cent in the wage rates throughout the Union. Of itself, such an increase, since it is stated in terms of rubles, has little meaning until it becomes known whether the government will succeed in its effort to expand the supplies of food and other consumable goods which constitute the workers' real income. One important effect of the wage increase, however, has been that the Communist party has consented to change its rules with regard to the incomes permissible to its own members. Heretofore, Communists in good standing have been forbidden wage or salary incomes in excess of certain strictly prescribed limits. ' maximum rate of 300 rubles a mo available to party members hold the highest industrial posts had pla their income well below that recei by non-party workers holding sub dinate positions, and even in the lo ranks of the labor force similar crepancies existed between the comes of Communist and non-C munist workers. This practice based on the desire to exclude fr the party all but those who were ac ated by motives of idealism. It been found, however, to work inj in two directions: first, by com ling the lower paid Communist w earner to exhaust himself by overt labor in order to make a living wa and, second, by discouraging a party technicians from accepting adequately paid positions of heavy sponsibility. Now the Politbureau announced that the maximum w for Communists in high positions been raised from 300 to 900 ruble month, and that of lesser officials a workers increased proportionately.

The Fight for Land in Palestine

By ALBERT H. LYBYER

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AFFAIRS in Palestine have been recently complicated by what appears to be a concerted movement on the part of the Arabs, both peasants and nomads, to take possession of lands bought by Jews. The explanation offered is that the lands had been sold illegally in the first place by Arab landowners, with no regard for the rights of their tenants, and that the dispossessed tenants decided to return and claim their own. Some have thrown themselves in front of the plows of Jewish farmers, while others have themselves begun to plow fields owned by Jews or, in revenge, have torn down fen and uprooted young trees.

Defenders of the Arabs claim t landless Arab peasants have b thus seizing only uncultivated or f low lands. Some admit the valid of the present titles, but affirm th despite the fact that Arab tena were entitled to remain on the la they had been forcibly disposses by the Jewish purchasers. Jews declared to have employed police to drive off small Arab farmers cases where the right to do so co not be sustained if brought to cour

Jewish representatives state tha

all purchases of land by the Jewish National Fund, the former Arab tenants were fully compensated for their rights and that they returned only because of propaganda inspired by anti-Zionists. It is further declared hat hundreds of thousands of acres f uncultivated land belonging to various Christian churches have not been ccupied by trespassing Arabs, but hat their descent has been upon lands ctually occupied and used by Jews fter legitimate purchase.

Chief Justice McDonnell of the alestine Supreme Court lately ordered that "in all land-title disputes he persons claiming ownership must e regarded by the court as the plainffs, while the actual possessors hough holding title must be deemed he defendants." The Jews regard this ecision as prejudicial to their interests. In view of the fact that under urkish rule the law regarding land tles was a complicated one, extenve and prolonged litigation is excted.

Committees of the Zionist Organation of America met in Philadelphia n March 13 and passed resolutions rging the World Zionist Organizaon and the Jewish Agency to petion the British Government to fulfill s pledges in the MacDonald-Weizann correspondence, asking practil cooperation between the Palesne administration and the Jewish gency, and calling for the opening to Jewish immigration of territory tween the Jordan River and the stern boundary of Palestine. "We affirm," the delegates at Philadelia resolved, "the determination of e Jewish people to cooperate with eir Arab neighbors in Palestine on e friendliest terms for mutual progss, advancement and prosperity of e land."

The Palestine Government has rexed somewhat the requirements for mission of middle-class settlers to e country. Farmers, merchants and dustrialists are to be admitted with no other restriction than that they must poossess capital of $2,500.

Citizens of Palestine as well as of Iraq have expressed considerable dissatisfaction because under the new British tariff regulations these countries have been classed as "foreign." This is held to be unfair, since in many ways they are united to Britain —through their monetary systems being tied to the fluctuating pound sterling and through their moral obligation to purchase British goods.

The former Khedive of Egypt, Abbas Hilmy, recently visited Turkey, Syria and Palestine. His visit gave rise to rumors that his conversations with High Commissioner Ponsot included discussion of his becoming King of Syria. As regards Palestine, it was said that he might become King of a combined Palestine and Transjordania, with possibly the Sinai Peninsula added. Premier Sidky Pasha of Egypt also visited Palestine and Syria in February. He was received with due honors by the High Commissioner at Jerusalem, and announced that between April 1 and Oct. 31 in each year the import tax on goods sent from Palestine to Egypt would be reduced by one-half. Rumor had it that Sidky made the journey in order to upset the efforts of Abbas Hilmy to become King of Palestine and Transjordania.

EGYPTIAN AFFAIRS

The tenth anniversary of the British "Declaration Concerning Egypt," which recognized the independence of the country, with certain reservations, was marked on Feb. 28 by many articles in Egyptian newspapers on the relations between Egypt and Great Britain. Supporters of the government foresaw a satisfactory settlement of the reserved points by Prime Minister Sidky. The Opposition newspapers, however, declared that Great Britain was not interested in further negotiations, and was satisfied with the status quo, which allows her to main-

tain troops in Egypt and to exercise complete control over the Sudan. Some more radical journals advocated a commercial boycott against British goods, but, at present, such a proposal has small likelihood of success.

The rapid rise of the pound sterling in the first part of March led to a sharp fall in cotton prices and a small panic on the Egyptian Cotton Exchange. Government officials thereupon established regulations which prevent a single drop in price exceeding 1 cent.

A British company has submitted to the Egyptian Government a project of electrification dependent upon the water power at the Assuan Dam. A large power station would be established near Cairo to supply electric current at a low rate for light and power in irrigation, drainage and railway projects. The cost would be from $120,000,000 to $150,000,000.

THE DEPRESSION IN TURKEY

Early in March the Turkish Government was forced to ask various contractors in armaments and public works to accept a four-year delay in the payment of treasury bonds now due. In spite of successive reductions of government expenditures and increases in taxation and customs duties, the income of the Turkish State has fallen steadily and the difficulty of balancing the budget has become increasingly great. The government has firmly resisted the temptation to seek loans from foreign lands, fearing that some impairment of independence might ensue.

The government's distress is matched by great poverty among the people. Low grain prices affect Turkey with special force, because about 70 per cent of her population lives by agriculture. A proposal to place a tax on grain or flour consumed in the country, half of which will go to the farmers and half to the government, has been met with the objection that an extra burden would thereby be laid upon city dwellers and the producers of agricultural products other than grain, and that the collection of such a tax would be difficult and expensive. The government has been encouraging cooperative societies, however, especially in agriculture. Chambers of commerce in different towns have passed rules for the control and standardization of such products as oranges, apples and cheese.

At the beginning of March a new organization called "The Peoples' Home" was inaugurated under the auspices of the Peoples' party. It will attempt to direct the efforts of the young toward the study of Turkish language, literature, folklore and history, as well as sponsor the arts, sports and the development of social institutions. It will be remembered that last year the organization of the "Turk Ojaks" was suppressed because it had become too narrowly nationalistic, and in some sections had developed into an exclusive private club. "The Peoples' Home" is to be open to all Turkish citizens, irrespective of racial origin or religious belief. This movement appears, therefore, to represent a trend quite different from the movement of the earlier twentieth century; the direction seems to be away from "Turkification" and towards "Ottomanization."

ARABS THREATEN REVOLT

At the beginning of March a report came from the northern regions of the Hejaz, known as Tebek and Theima, stating that the tribes were alarmingly restless. It was noted a few months ago that King Ibn Saud had brought peace to the desert in the extreme southeast of Arabia, but apparently the peace is only superficial. Considering the freedom which the Arabs have experienced during the last thirty or forty centuries, the order maintained by Ibn Saud is among the wonders of the present world. Most observers think that this peace is a matter of personal achievement, and that it will perish with him who established it. Others, however,

ıave hoped that Ibn Saud, by the use ɔf the motor car, the radio and modɜrn weapons, with the teaching of ıgricultural methods and the use of nodern conveniences may succeed in ıettling the wanderers permanently. There are no nomads in American leserts; must there always be such n the deserts of the Old World?

A royal decree of Dec. 9, 1931, esablished a Council of Ministers for he Hejaz, to be composed of a Presilent, a Minister of Foreign Affairs, . Minister of Finance, and a Minister ıf the Consultative Council. In addiion, there is a general Cabinet, which vill transmit the deliberations of the Council to the Ministers of the Adninistration.

PERSIAN AIR TRANSPORT

Persia has been suffering from one ıf the severest winters ever known, vith contact with the outer world ompletely severed for a number of veeks, except by means of airplanes. The road from Bagdad to Teheran was ılocked in the mountain passes by ive or six feet of snow; moreover, ven certain intermediate landing ields could not be used because of .eep snow. The airplane is an imporant factor, it will be seen, in Persia's xistence. The contracts by which the unkers Air Transport Company and he Imperial Airways, Limited, have een flying over different stretches f Persian territory were due to exire recently, but they have been proisionally prolonged.

AFGHAN CONSTITUTION

Reports of the new Constitution of .fghanistan reveal that the Afghan overnment declares the country to e completely independent in all inɜrnal and foreign affairs. Islam is eclared to be the official religion, nd the King must govern not only ccording to the Constitution, but also ccording to the sacred law of Islam. ights of subjects include individual reedom from interference, except according to the sacred law or the established laws of the State. Slavery and forced labor are forbidden. Personal property, except that of refugees from the country, may not be confiscated. Primary education is to be compulsory and under State supervision. A Council of State is created, to consist of representatives elected for three years. When the Council is not in session, the King may pass special ordinances, which must, however, be submitted to the next session of the Council. New laws are drafted by the Ministers, passed by the Council of State and signed by the King.

A separate Chamber of Nobles is selected and appointed by the King. This Upper House deals with matters referred to it by the Cabinet. Its recommendations go to the Council of State, and it passes upon the laws of the Council of State. In case of difference of opinion between the Council and the Chamber, the matter is referred to a Conference Committee of at least twenty persons, half from each body. Recommendations of such a committee are to be referred to the Council of State; in case of the latter's refusal, the question will be submitted to the King for decision.

In promulgating and establishing this system, Nadir Shah has shown himself a far better judge of what can be done in his country than was the deposed King, Amanullah. The latter underestimated Afghanistan's attachment to its national traditions and to the Moslem system. Dazzled by his trip to Europe, Amanullah abandoned his policy of slow progress and endeavored to Westernize his land in one great effort. Nadir Shah, who has seen more of the West, for he was Afghan Ambassador in Paris for five years, has contented himself with a very gradual rate of progress. He appears to be proving that his people are fully in accord with a large degree of Westernization, provided they are not rushed into it.

The Stalemate in the Far East

By HAROLD S. QUIGLEY
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SINCE the strategic retirement of the Chinese forces from the Shanghai battlefront on March 2, the good offices of neutrals at Shanghai have been exerted to arrange an armistice as a preliminary to a round-table conference for a definite settlement. Concurrently, efforts of the League of Nations have been exerted toward the same end. Unhappily, neither Shanghai nor Geneva could report progress after more than a month of discussion. Rather, it appeared as though fighting were to be resumed in the Yangtse Valley and that Japan's threats to leave the League were to be taken seriously.

General Shirakawa admitted on March 5 that his troops had captured Huangtu, fifteen miles west of Shanghai, to protect General Uyeda's headquarters at Nanziang, three miles to the eastward on the twelve-mile boundary demanded by the Japanese before the Chinese retreat. An indefinite occupation of the Shanghai environs was foreshadowed by the digging-in activities of the Japanese forces. Five thousand additional men of the Fourteenth Division of Japan's army disembarked on March 7. The Chinese army also was reinforced strongly.

Chinese troops garrisoning Nantao, one of the Chinese-administered districts of Shanghai, evacuated on March 7, upon rumors that the Japanese intended to occupy that hitherto unmolested section. Railway officials of the Shanghai-Hangchow line accompanied the troops, who bivouacked at Fengchuan, cutting the railway at that point thirty-five miles southwest of Shanghai. Japanese planes took to the air daily, keeping watch over Chinese movements. The railway to Hangchow was repaired and traffic resumed. The Lunghwa arsenal was dismantled by the Chinese, who took the machinery to Hangchow. Several thousand Japanese reinforcements reached Woosung on March 9, moving up toward the front lines immediately. The men, between skirmishes, were employed in building elaborate defense works and transporting large quantities of arms, munitions and supplies to the front.

An imperial order on March 14 recalled to Japan the Eleventh Division, the Twenty-fourth Mixed Brigade and several special contingents. On the same date the central executive committee of the Chinese National party, the Kuomintang, which is the actual governing authority in the central administration, adopted a resolution calling for "immediate measures for the restoration by means of concrete force of the territorial and political integrity of China." Marshal Chiang Kai-shek, however, who announced his acceptance of the chairmanship of the military council, stated that China desired a peaceful settlement of all her difficulties with Japan. Sniping occurred near Chiawangmiao and Kiating, and on March 30 the Japanese drove the Chinese troops out of the former position. The departure of the Eleventh Division and the Twenty-fourth Brigade for Japan was completed on March 26. Approximately 50,000 Japanese soldiers still remained in the occupied zone, and a large fleet remained in the Whangpoo.

The first overtures for an armistice had come from Japan on March 10. Previously, General Shirakawa, indi

cating the Japanese extreme line of occupation westward as running from the International Settlement through Chapei, Chengju, Nanziang and Kiating to Liuho, asserted positively that no matter what provocation they suffered the Japanese forces would not advance, except for scouting and defensive purposes, beyond that line, and that the limits of Japanese occupation would remain there. He disavowed any intention of ever attempting to take Hangchow, Soochow, Chinkiang or Nanking, or of attacking Tientsin, Swatow, Amoy, Canton, Hankow or any other Chinese city.

A formal note from Mamoru Shigemitsu, the Japanese Minister to China, was handed by Sir Miles Lampson, British Minister, to Quo Tai-chi, the Chinese Vice Foreign Minister at Shanghai, on March 10. Herein it was stated that Japan's civil and military authorities were ready to open direct negotiations in accordance with the terms of the League Assembly resolution of March 4. The note proposed a preliminary agreement to cease hostilities, to be followed by discussion of withdrawal of the Japanese forces. China replied immediately, declaring herself ready to accept the League resolution on the understanding that negotiations would deal only with an armistice and upon complete and unconditional withdrawal of Japan's forces. Mr. Shigemitsu, on March 12, issued his government's formal rejoinder that "Japan is loath to witness reversion of the International Settlement and its vicinity to the conditions at the time of the outbreak of hostilities." Japan insisted that negotiations begin on the basis of the League resolution, which did not specify "no conditions," although Dr. Yen, China's Geneva representative, accepted it on that understanding, which had been made clear by M. Hymans, the chairman of the Assembly.

Division in Chinese diplomatic views was suggested in a statement of Premier Wang Ching-wei, which deprecated the fact that war mania was affecting a section of the people, and asserted that "the government is continuing to shape its policies in the light of sound principles and the State's real interests." Conspirators believed by some Chinese to be pro-Japanese were apprehended at Shanghai in possession of documents indicating a plot to seize the city on behalf of the Regent Henry Pu Yi of Manchukuo, the new Manchurian State set up under Japanese auspices.

The commision of investigation sent out by the Council of the League, after a short stay in Tokyo, reached Shanghai on March 14, to be greeted with trumpets by a great throng. Though a fact-finding body under its terms of reference, Lord Lytton, chairman, stated that if requested by both sides it would gladly aid to bring about local peace. On the following day it was intimated that Mr. Quo and Mr. Shigemitsu had met with Sir Miles Lampson, Nelson Johnson, American Minister, and the French and Italian Ministers and definitely agreed that the Japanese troops would be gradually withdrawn and the Chinese troops would refrain from entering evacuated territory. Japanese withdrawal was to be supervised by a commission of neutrals, and after its completion general negotiations to liquidate the Shanghai situation would begin. In this connection it was learned at Washington that for some weeks an understanding for cooperation, so far as possible, toward a settlement of the Far Eastern problem had existed between the United States and Great Britain.

The League Assembly, following its three-point resolution of March 11, elected a commission of nineteen—twelve representing the twelve States represented in the League Council, other than China and Japan, and seven representing Switzerland, Czechoslovakia, Colombia, Portugal, Hungary, Sweden and Belgium—to "propose any urgent measure which may appear necessary," to prepare an

agreement for the Assembly and to submit a report to the Assembly by May 1. Japan's delegate refrained from voting on the resolution on the ground that it declared that the entire covenant was applicable to the dispute. Paul Hymans of Belgium, chairman of the Assembly, also was made chairman of the commission of nineteen. On March 17 the commission called the Chinese and Japanese members of the Council before it for information. Learning from Dr. Yen the terms of the agreement of March 14 at Shanghai (see above), it was further informed that in a separate note, subject to the approval of the Chinese Government, it was provided that Mayor Wu's acquiescence of Jan. 28 to the Japanese demands regarding cessation of the boycott and dissolution of anti-Japanese societies should stand. The commission was also informed that Japan wished to amend the agreement to extend the neutral commission's supervisory functions to the observation of the evacuated area until a later settlement. Dr. Yen stated that the Chinese Government was opposed both to the separate note and to the amendment. The commission reminded Mr. Sato, the Japanese Council member, that before passage of the Assembly resolution of March 4, for which Sato voted, the chairman of the Assembly had clearly expressed the understanding of the whole body that no conditions were to be attached to Japan's evacuation. The commission also summoned Japan and China to report on the execution of the League resolutions of Sept. 30 and Dec. 10 regarding Manchuria and decided to cable the Lytton commission for an early preliminary report on Manchuria.

Japanese military authorities accepted the Quo-Shigemitsu agreement of March 14. On March 23 a truce was to be signed, but the Chinese military representative, General Chiang Kuang-nai, refused ostensibly on the ground that Japan's representative, General Uyeda, was of lower rank than himself, but actually, it was believed, because of dissatisfaction with the terms. Parleys were carried on for a compromise, but as they were secret the difficulties can only be conjectured. Each side blamed the other for the delay. Twenty-two members of the Cantonese faction of the Kuomintang, among whom were Dr. C. C. Wu and Generals Chen Chai-tang, Pai Chung-hsi and Li Tsung-jen, telegraphed to Loyang, the present capital, that Japan was demanding establishment of a neutral zone around the International Settlement, suppression of all anti-Japanese movements and formal recognition of all Sino-Japanese treaties pertaining to Manchuria and Inner Mongolia. The move was viewed as a step preliminary to establishment of a separate national government at Canton in case Japanese terms were agreed to by Chiang Kai-shek.

At the end of March it was apparent that the sticking point was the definition of areas "adjacent" to the Settlement. The Japanese refused to evacuate Chapei, Hongkew, Kiangwan, Woosung and Paoshan, while the Chinese regarded the continued occupation of these areas as a threat to their freedom of action in any conference that might be held for a settlement of outstanding issues. The Japanese refused to fix a time for withdrawal, another indication of intention to compel rather than arbitrate a satisfactory settlement.

With the retirement of the Chinese forces early in March, conditions in the International Settlement improved. By the end of the month the curfew had been lifted. Annual Council elections took place on March 22-23, resulting in the election of five British, five Chinese, two Japanese, one American and one Danish member, the sole American being Frank J. Raven, banker and realtor. Chinese banks were functioning and dealers were taking deliveries of larger quantities of imports. In self-protection the authorities of the Settlement assumed the job of cleaning up Chapei

in collaboration with the Japanese. Nine hundred bodies were removed in the first two weeks. Health Commissioner J. H. Jordan reported that danger of an extensive epidemic of cholera, dysentery and typhoid was past. At Nanking the American Consul General, W. R. Peck, issued a statement that conditions justified greater confidence in those desiring to return.

THE NEW MANCHURIAN STATE

While a truce continued unsigned at Shanghai, interest turned to developments in Manchuria and to the increasing tension between Japan and the Soviet Union. The puppet State of Manchukuo sought recognition by foreign States on March 14, but the latter were unresponsive. No comment upon the request was made in Washington, while the British Foreign Office said that recognition now would be premature. In this connection a denial by M. Claudel, French Ambassador to the United States, that France had sided with Japan in the controversy, is of interest. M. Claudel declared at St. Louis on March 23 that his country had been in complete accord with the other powers. Tokyo insisted that the Soviet Union had recognized Manchukuo.

Changchun, capital of Manchukuo, received the name Hsinching, meaning "new capital," after the inauguration of Pu Yi. The government there formally notified Loyang and Nanking, joint capitals of China, that all political connection between the area embraced within the new State and China was ended. Geneva was notified by the same junta that China could no longer speak for Manchuria. At Peiping, meanwhile, Manchurian refugees cabled to the League's commission of nineteen a solemn declaration "that the alleged independent government is solely under Japanese manipulation and that the leaders are not free agents."

The Cabinet at Hsinching included a Premier and Ministers of Administration, Foreign Affairs, War, Finance, Industry, Justice and Legislation; also a president of the Senate. General Ma Chen-shan, already rewarded for his shift of allegiance with the Governorship of Heilungkiang, became Minister of War. Governors Tsang Shih-yi of Liaoning and Hsi Hsia of Kirin, and Mayors Chang Ching-hui of Harbin and Chao Hsin-pa of Mukden, each received a Cabinet post. The *Manchuria Daily News* (Japanese) published the Constitution of the would-be State on March 1. There are five chapters, containing thirty-four articles. All power is vested in the "Dictator," or "Regent," who is stated to be "responsible to the people." The Cabinet, or State Council, is subject to the Regent's orders. A Senate and a Legislative Council are provided for, the Senate being advisory to the Regent, the Council to sit for a month or longer annually and to "endorse all legislative bills, together with the State budget." The Regent, however, with the approval of the Senate, may execute laws rejected by the Legislative Council. The first session of the latter was announced as summoned to convene in July and to contain 100 members, half to be selected by the central government, half by the provincial governments.

The decision of the Pu Yi régime to take over administration of customs at Manchurian ports was announced on March 26. Monthly remittances were promised to the Inspector General of China's customs service at Shanghai to cover Manchuria's share of China's loan obligations that are secured upon customs revenues. Thus China was deprived of the surplus revenues from her second largest port, Dairen, as well as from Antung, Yingkow, Harbin, Aigun and Lungchiangtsun. On March 28 a similar announcement was issued regarding the salt tax.

Contrary to Japanese expectations, the installation of a Manchu government for "Manchus" was received, not

with acclaim, but with widespread opposition, which took the form of indifference among the rank and file and of military action by troops of Chang Hsiao-liang, the former Governor. The flag-waving over the inaugural celebration was left to the Japanese, and even before the celebration began reports of serious fighting were received. Revolts occurred in early March against Ma Chen-shan in Western Heilungkiang and against Hsi Hsia in Eastern Kirin. Movements of Chinese troops were in process at the same time in Chientao, just north of the Korean border, and at Tunhua, eastern terminus of the Kirin-Tunhua railway, which the Japanese desire extended to Korea. Attacks on trains of the Mukden-Antung railway occurred, necessitating increased guards for that line. The boldness of the opposition was evidenced by an attack upon the Japanese airdrome at Mukden while the inaugural ceremony was proceeding.

The Chinese garrison at Heiho, across the Amur from the Russian town of Blagovestchensk, revolted on March 10, when the new flag was raised. Two Japanese residents were killed and bullets fell in Russian territory. Three days later a similar revolt at Manchuli, western border town, was attended by the murder of a Japanese. Numerous defections in the army supposedly loyal to Pu Yi were reported. Subordinate officers charged Generals Ma and Hsi Hsia with overweening personal ambition in affiliating themselves with the purposes of Japan. Fu Yu (Petuna), a large city west of Changchun, was captured by a strong insurgent force equipped with artillery. This city, though in Kirin Province, is the commercial outlet of Inner Mongolia. Another Chinese force took Chuangho, on the coast near Dairen. From Mukden, strongly held by the Japanese, the League of Nations commission at Shanghai received a telegram signed by labor unions, the educational association, bankers' association and twenty-eight other organizations, which described the new Manchuria as "merely a puppet of the Japanese army," and stated that the Chinese people there would rather share the destiny of China than live under Japan.

Incidents of the character referred to above continued to occur and to increase in severity throughout Manchuria. On March 22 Minister of War Araki informed the Japanese Diet that additional forces should be sent, although he intimated that 30,000 were already there. The principal military opposition to the Japanese centered in Kirin Province, in which their forces began extensive cleaning-up operations toward the end of March. The most severe encounters occurred at Nungan, thirty-five miles north of Changchun (Hsinching), which was captured by a force several thousand strong. Japanese troops retook the town on April 2. Loss of life was extremely heavy on both sides. An expeditionary force of unannounced numbers was dispatched into the Chientao area from Korea.

F. Kuhara, member of the former Seiyukai Cabinet of General Tanaka, in an article in the Tokyo magazine *Bungei Shinja*, revealed that in 1928 Tanaka schemed to separate Manchuria from China by demilitarization. His plan failed when Chang Tso-lin, former dictator, was assassinated—according to Kuhara—by disaffected Chinese.

Chinese immigration into Manchuria has not been terminated by the new situation there, nor, apparently, is it the intention of the existing authority in Manchuria to establish barriers against it. Plans were discussed in Tokyo for settling 500,000 Japanese families in Manchuria within the next ten years. Hitherto, although assistance has been rendered by the Oriental Colonization Company, which is under government auspices, migration from Japan has been slight because of the low standard of living among

the Chinese there, which made economic competition difficult.

RUSSIA AND JAPAN

The outbreaks on the border of Siberia increased the tension in Moscow when Japanese troops were sent toward the towns affected. A pointed interchange took place between Karakhan, acting Foreign Commissar, and Japanese Ambassador Hirota. The latter reminded Karakhan of Soviet manipulations in Outer Mongolia, and when Karakhan replied that the cases were not parallel, since the Soviet Union maintained no troops in Mongolia, which, he claimed, had long been an independent State, Hirota remarked that Japan lacked means of verifying that statement. Soviet newspapers on March 20 featured an interview with Minister of War Araki in which Russia was politely told to mind her own business. Apprehension lest the Soviet Union be drawn into a general war through a Franco-British alliance with Japan against her was believed to be largely responsible for the caution displayed in the face of Japan's extensive military movements within Russia's former sphere of influence in North Manchuria. On March 21 Moscow published a Japanese disclaimer of aggressive intentions respecting Siberia.

JAPANESE DIET MEETS

An extraordinary session of the Japanese Diet was opened on March 20. To smooth its path the Cabinet persuaded Home Minister Nakahashi, who was theoretically responsible for the failure of the police to prevent the attack of Jan. 8 upon the Emperor, to resign. Minister of Justice K. Suzuki was transferred to the Home Ministry. The session was called to vote funds for the Chinese expeditions amounting to 67,000,000 yen ($21,700,000), supplementary to extraordinary military grants of $30,000,000 previously made by imperial ordinances. In fear of their lives, members of the Diet voted the required funds unanimously. No one wished to undergo the experience of Dr. Inazo Nitobe, member of the House of Peers, who, though ill in a hospital, was compelled by the Ex-Service Men's Association to appear before it and apologize for his public statement that the Communists and "the military cliques" were detrimental to the country.

The police obtained information that Commander Fujii of the naval air service had furnished pistols to the assassins of former Finance Minister Inouye and Baron Takuma Dan. Fujii had nursed a strong feeling of resentment since the failure of the policy of the Naval Staff Board at the London Naval Conference of 1930. He was killed in action at Shanghai before the assassinations. Thirteen members of a "death-band" pledged to exterminate leading politicians and financiers as a means to national regeneration, and believed to have been organized by men of high standing in "patriotic" societies, were committed for trial on the charge of murder on March 28. From a business man associated with the band, the police learned that many other prominent public men were marked for death, among them Prince Tokugawa, president of the House of Peers for twenty-five years; Count Makino, Lord Keeper of the Privy Seal and the most influential statesman after Prince Saionji; Prince Saionji, surviving elder statesman, and former Foreign Minister Shidehara.

[The statement on page 757 of this magazine for March that the boycott at Shanghai began *after* the Japanese intervened in Manchuria was incorrect. The boycott had its inception during the Summer as a consequence of resentment aroused by suspicions of Japanese encouragement of factional warfare and, more especially, by the massacre of Chinese in Korea which followed the Wanpaoshan incident in Manchuria. The boycott had not, however, assumed proportions serious to Japanese trade with China until the intervention occurred in September.—H. S. Q.]

Current HISTORY

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CURRENT HISTORY

JUNE 1932

The Presidential Campaign Opens

By WILLIAM B. MUNRO
Author of "Makers of the Unwritten Constitution"

THE American plan of holding national elections on a fixed date has some serious disadvantages. For one thing, it makes the campaign a long-drawn-out affair, covering at least six or seven months of active effort on the part of the political organizations. This entails large expense. The present contest will cost the two major parties several million dollars apiece. The American genius for organization has been applied to politics as well as to industry, with the result that our Presidential campaigns, from start to finish, are the biggest things of their kind on earth. They are the biggest in point of votes polled, money spent, time occupied, machinery built up, and workers employed. Unique they likewise are in their welter of claims and counterclaims, rumors and roorbacks, broadcasts and buncombe, slogans and straw votes, tin horns and torchlights, buttons and ballyhoo. In England, on the other hand, an election campaign begins and ends within a few weeks.

There is another difference between English and American campaigns—a very important one. In England it is the issue that produces the election; in America it is the election that brings forth the issue. Dissolutions of Parliament take place because the government desires to ascertain the mind of the people on some important question, such as the imposition of protective duties or the reduction of the dole. No one ever asks in England, "What issues are going to be uppermost in this campaign?" Obviously, they will be the ones which made the election necessary. But in the United States the election comes on a fixed date irrespective of any need for discovering anew the wishes of the people. There may or may not be major issues engaging the public mind when this date arrives. If there are none they must be manufactured for the occasion; in other words, the party organizations must go out and find some issues on which they can hope to win. If they find an embarrassing question upper-

most in the minds of the people they try to play it down, or they straddle it, as both parties did with prohibition in 1928.

From time to time, however, there are issues which surge so strongly to the front that they cannot be sidestepped or played down. Usually these emerge from an abnormal economic situation, as the free silver issue did in the middle '90s or as the question of unemployment relief is doing today. Economics has been called the dismal science and politics a sordid game, but in all countries the two have now become intertwined. Only in name is this year's Presidential campaign in the United States going to be a political one, for there are no longer any political issues in the old sense. Our people are not thinking in terms of States' rights or suffrage extension, Philippine independence or the control of campaign expenditures. Their interest is focused on the problem of how to get back the full dinner pail.

Every one appreciates, of course, the great advantage that accrues to a President who happens to come up for re-election during an epoch of great prosperity. In such times the party in power claims, and usually gets, a large amount of the credit. It is quite true, of course, that the policy of the administration may have had little or nothing to do with the economic effervescence; but the public imagination does not see it that way. Likewise, when the country runs into a slough of economic depression, with values tumbling, banks going broke and payrolls shrinking—when such a situation comes the party in power must be prepared to see the rule work both ways. It avails nothing to say that the Republican party is not responsible for hard times in 1932. Neither was it for flush times in 1928, but it did not hesitate to take the credit then.

It is an axiom of politics that nothing equals prosperity as a silencer of criticism. It makes the electorate content with things as they are, satisfied with any kind of leadership, or with no leadership at all. An industrial depression, on the other hand, stimulates every voter to voice his grievances. He tries to find a scapegoat for his own misfortunes. Edmund Burke once said that you cannot indict a whole nation, but political experience shows that you can sometimes indict a whole party and convict it at the polls. The main task of the G. O. P. in this campaign will be to convince the grand jury of the American electorate that it has done everything possible to relieve the farmer, to care for the industrial unemployed, to bolster the banks, to lessen governmental expenditures and to help business back upon its feet. And it is not an easy task, when you come to think of it.

In short, the main difference between the two major American political parties today is the difference between being in luck and being out of it. If economic conditions were as they happened to be in 1928 there would be virtually no doubt of the result, whoever the candidates might be. For the country is normally Republican, and rather heavily so. The elephant is a good deal bigger than the donkey, no matter how you measure the two. The American electorate, taking it as a whole, is more strongly Republican in national than in State elections, more strongly inclined to be Republican on the Presidential than on the Congressional portion of the ballot. The history of the past eighty years would seem to indicate that the country goes Republican in a Presidential election whenever it has a fighting chance to do so, and that it places a Democrat in the White House only when the provocation is very great. Whether it will prove sufficient in this instance is not easy to predict, because we have never held a Presidential election during the severity of a major economic crisis—at any rate, not since the existing party system was established.

Grant and Cleveland had just commenced their second terms when the panics of 1873 and 1893 burst upon the country. The former of these two depressions was still being felt to some extent when the election of 1876 took place, with a virtual defeat for the Republican party at the polls, although President Hayes was ultimately counted into office by a majority of one electoral vote. It would seem logical to believe, however, that the coming election will give the Democratic party the best chance that it has had in more than a generation.

Nevertheless, one should beware of being too logical in politics. The conduct of an election campaign is neither a science nor an art, but merely a series of dodges and stratagems. Victory may slip from the grasp as the result of a seemingly inconsequential incident, as happened to Blaine in 1884 and to Hughes in 1916. Every ballot-scarred veteran knows full well that 2 and 2 do not always make 4 in politics; sometimes they make 22. It all depends on how you succeed in putting your digits together.

One can predict with certainty, however, that there will be one outstanding issue in this year's campaign and that all others will be subsidiary to it. The uppermost question in the minds of the whole American people today is the prospect of a return to normal economic conditions, and how this can be expedited. Can it best be done by giving the Republicans another four years' lease of power? Has President Hoover shown good leadership in dealing with the problems caused by the depression, and is he the one best qualified to bring the country out of it again? Or has the Republican party fallen down on the job? Has it failed to sense the seriousness of the situation? Has the President been too closely wedded to his philosophy of rugged individualism? Mr. Hoover came to the White House with a reputation as the world's foremost specialist in dealing with emergencies. Has he been equal to handling this one?

The answers given to these questions by that fraction of the voters which is not too firmly bound by ties of party allegiance will decide the outcome of the November election. This independent fraction is not relatively large, but when it drifts in one direction it is quite sufficient to turn the scale. Some consolation may be found, perhaps, by the Republicans in the fact that the great hinterland is inclined to blame New York as well as Washington for its troubles. Main Street today is spouting its venom at Wall Street rather than at either end of Pennsylvania Avenue. It remains to be seen whether the investigation of short selling on the Stock Exchange will furnish some new fuel with which these fires of resentment may be fed.

The farmer, the industrial worker and the white-collar man have a common grievance in this campaign. Potentially they have something on which they can unite, which is rarely the case. Whether they will do so is another question; it will depend on who the Democratic candidate is, where he comes from, what kind of record he has, where he stands on prohibition, what sort of campaign advisers he gathers around him, and to what extent he can convince the country that he has a constructive plan for bringing the country out of its difficulties.

During the past few months a good many Republicans have been saying that they will vote for "anybody against Hoover." But that is not what they will be asked to do next November. They will be asked to vote for Somebody against Hoover, which is quite a different thing when the voter goes into the polling booth. But once again, predictions far in advance of a Presidential election are so unsafe that no sensible student of politics should ever attempt them. Their difficulty increases as the square of the interval which precedes the polling and in geometric ratio as related to the abnormality of the times.

The general economic situation, at any rate, is providing and will continue to provide the centre of controversy in this campaign. It has many phases which reach deeply into the whole fabric of American life. The big and little investors who have been shorn to the skin by the deflation of security values during the past couple of years want to know whether a Republican administration was guilty of contributory negligence in letting the market go on an unrestrained rampage during the years 1925-1929. They had been assured that the Federal Reserve system would keep the rise from going too high and the decline from going too low. In reality it did neither. Is the administration to blame for this? Or has the trouble been caused by circumstances which no government could possibly control? To ask that a government stem the rising tide of prosperity, when every one believes himself to be growing rich, is undoubtedly to ask a great deal.

And what about the relation of the tariff to the marked decline in our export trade during the past couple of years? Have we been 'ed by the high protectionist philosophy of the Republicans into the folly of imagining that we could keep our exports at a peak while lifting our tariff walls to a point where they would shut out imports from the rest of the world? It is, or ought to be, a self-evident proposition that we cannot sell abroad unless we buy abroad. If we cease buying from other countries they must stop buying from us, for they have no other way of making payment. Has Smoot-Hawleyism contributed to the present industrial situation, in which our export trade has fallen off and left our capacity to produce far in excess of the volume of what is needed for home consumption?

Again, was President Hoover well advised when, at the beginning of our present troubles, he insistently pleaded that wages should not be reduced anywhere? He urged this course in order that the purchasing power of the country would not be impaired. But the reductions have come in the end, and there are many employers who feel that it would have been far better for business if this step had been taken at the outset. It is their conviction that industry would be further along in its progress to stability if such action had been taken in 1930. Their reasoning in this matter is probably unsound. If President Hoover had not intervened to hold up the purchasing power of the country we should probably have had a panic rather than a depression. That is what happened in 1873.

Then there is the issue of farm relief, which has now entered the category of hardy perennials. The agricultural regions insisted on an agricultural relief measure, and they got one in 1929, although not exactly what they wanted. Large sums of money have been advanced to agricultural associations under authority of this act; but have they helped appreciably to solve the farmer's difficulties? To win this election the Republican party must hold those sections of the country where men win their livelihood from the soil. The Democrats, of course, can greatly help them to do this by nominating some one whose affiliations and views are anathema to the bucolic mind—and that is what they did in 1928.

And what of the much-heralded Reconstruction Finance Corporation measure? Is this governmental action going to succeed in its efforts to keep shaky banks from closing and bolster industries that are on the verge of collapse? Great amounts of purchasing power are locked up in closed banks and the liquidating process is slow. Has the government done its best to expedite this process or has it been callous to the plight of a million depositors? That is what these depositors in closed banks are trying to make up their minds about. It is a real issue with them.

Has the administration been unjust

and unwise in insisting that the responsibility for feeding and sheltering the unemployed, or for providing them with public work, should be assumed by the States and the municipalities rather than by the Federal Government? State and city officials all over the country are resenting this attitude. Will their resentment be shared by the voters, or will people take the more rational view that, since the burden of unemployment relief must be borne out of taxes, it does not make a world of difference whether the responsibility is shouldered by one branch of the government or by another. In this connection there is the matter of a great "prosperity loan" which the Hearst newspapers have been so persistently advocating. There are thousands, perhaps millions, of voters who believe that normal business conditions can be brought back by this device of borrowing money and then squandering it. Will the Democratic candidate set himself against all such proposals or will he ally himself with them?

Whether the soldiers' bonus issue is to figure in this campaign will depend on what Congress does with the proposal which is now before it. If the measure for paying adjusted compensation certificates in full passes both houses, and is vetoed by the President without being repassed over his veto—all of which seems not improbable—the question will be an issue in the campaign. The Veterans of Foreign Wars will make it so. They do not form a large body of voters but they make up in assertiveness what they lack in numbers. Nevertheless, Mr. Hoover would stand to gain rather than to lose votes if this issue is pressed.

International questions are not likely to play much part in American political discussion during the next few months. The League of Nations is a dead issue just now and is likely to stay so. The controversy over our adhesion to the World Court has resolved itself into a quibble over phraseology. In any event, the Democratic candidate, whoever he is, will favor acceptance of the protocol. The candidates on both sides took that stand in the last two Presidential campaigns. They are likely to do it in this one. As for the moratorium, it was extended by agreement of both parties and both are in agreement on the matter of collecting our indebtedness from Europe—if we can. So the issues of this campaign are domestic in character; they end at the water's edge.

Finally, there is prohibition. It is bound to be an important issue no matter how much the party strategists may wish it otherwise. And it is one upon which neither of the two major parties can take a forthright stand without serious embarrassment to itself.

On this question the Democratic party is split squarely up and down the centre. For the backbone of its electoral strength, the Solid South, is bone dry, while the Northern and Western wings of the party, especially in the industrial cities, are wringing wet. To frame a platform declaration that will suit both these irreconcilable elements is a task that is going to give the Democratic leaders plenty of trouble next June. To find a candidate, moreover, who is wet enough to placate the North and yet not so wet as to antagonize the South, will be even more difficult still. The South will probably have to swallow a heavy dose of moisture in the Democratic platform this year. It will do this with a grimace provided the candidate is not utterly uncongenial to the South in his other affiliations.

In the Republican party the situation is much the same, although the cleavage here is not so sharp and does not follow geographical lines. Industrial Republicanism inclines to be wet while rural Republicanism is dry. This makes the issue a hard nut for the Republicans to crack. If they want to be sure of carrying Massachusetts and Rhode Island, for example, their

platform and their candidate must be so anti-prohibitionist as to risk the loss of such States as Kansas and Iowa.

Indeed, there seems to be only one thing upon which, in relation to prohibition, the majority of American voters have reached a conclusion. This is the proposition that the enforcement of prohibition is not now satisfactory. Will Rogers said it more effectively when he "wisecracked" that "prohibition is a poor arrangement but it's better than having no liquor at all." How to correct this situation, whether by repealing the Eighteenth Amendment, or modifying the Volstead law, or turning the problem over to the States, or appropriating more money for a stricter enforcement—these are questions upon which the widest variety of opinion prevails throughout the country.

But the voters are demanding a forthright pronouncement on this issue. They want not only a protest but a plan. It will not do for the platforms of both parties to evade the issue by declaring, as they did four years ago, that so long as the law remains on the statute book it ought to be enforced. The vital question is whether it ought to remain on the statute book or, if it is to be changed, what kind of regulation should take its place.

Nevertheless, at both national party conventions in June there will be strong insistence from various influential quarters upon the desirability of straddling the question once more in the interests of party harmony. That the Democrats will do this is altogether unlikely. As for the Republicans, a great deal will depend upon what President Hoover desires the platform to say on this matter. Prohibition, in any event, is the most perplexing question that has faced the strategists of either party since the free-silver issue raised its head in the middle of the '90s.

So much for the issues. What of the candidates? Of course the renomination of President Hoover by the Republicans has been a foregone conclusion since the beginning. This is partly because the renomination of a President at the close of his first term is almost impossible to prevent. It has been prevented only once in the past seventy years—in the case of President Chester A. Arthur, who had been nominated and elected Vice President in 1880 without any intent that he should ever reach the White House. Ordinarily a renomination is assured through the President's control of the Federal patronage, especially in the Southern States. These appointments enable him to build up, if he chooses, an organization which gives him a virtually decisive advantage over any other candidate when the time for electing delegates to the national party convention arrives.

There may be a great deal of opposition within the ranks of a President's own party during his first term but such opposition can rarely be consolidated under a unified command. This has been so in Mr. Hoover's case. The Norris-Pinchot-Johnson-Brookhart-La Follette insurgency has been of the guerrilla type, with each insurgent for himself. If these restive Republicans could pool their strength they might be dangerous to the Hoover cause; but there has been no chance of their doing it. They form an all-star cast, with no one of them ready to play anything short of the stellar rôle.

A year ago there were those who thought that Senator Borah might be able and willing to rally the malcontents; but the orator from Idaho is too loyal a Republican and too good a politician to lead a portion of his party out into the wilderness. Governor Pinchot of Pennsylvania was the possibility on whom the ultra-progressives pinned their hopes for a time, but his incipient boom failed to evoke any nation-wide response. Various attempts to launch a third party have likewise collapsed during the past couple of years. Although a

League for Political Action, sponsored by Professor John Dewey, has stirred some enthusiasm in the ranks of the intelligentsia, its importance as a factor in practical politics is negligible. First among the essentials of a third party is a leader who is willing and able to lead. There is none in sight just now.

Among the Democrats the sailing has been by no means so smooth. Immediately after the election four years ago it became apparent that Governor Franklin D. Roosevelt of New York was in possession of a flying start for the campaign of 1932. His ability to carry his own State when the Presidential ticket failed to do so was sufficient to silhouette him in the public imagination as an aspirant worth laying wagers on. It was taken for granted, moreover, that Alfred E. Smith would accept the verdict of 1928 as final and would support Governor Roosevelt as loyally as the latter had supported him. In addition, Mr. Roosevelt himself possessed several assets of political importance. He had been a member of the Wilson Administration, yet not too prominently identified with it. As Assistant Secretary of the Navy during the World War he had done a good job under adverse conditions. He had shown himself able to work with Tammany Hall without being regarded as a Tammany man. Still in early middle age, endowed with an honored name, possessing an ample background of education and culture, along with a creditable record of political experience, his prospects seemed better than those of any one else in sight.

So the Roosevelt boom made an early start and soon gained considerable headway. The first serious obstacle that it encountered was the danger of a break with the Tammany organization over the charges which led to the Hofstadter-Seabury investigation. This danger, through adroit handling, appears to have been averted. More formidable, however, and much more surprising, has been the thinly veiled opposition of Alfred E. Smith. This opposition first came authoritatively to public notice through Mr. Smith's announcement that he "would accept the nomination if the party tendered it to him but would make no active campaign for it." Then he went a step further by giving written consent to the entry of delegates to himself in several State primaries, notably in Massachusetts and in Pennsylvania. This was a definitely anti-Roosevelt move. It has given Mr. Smith a block of delegates which may be considerably increased. Other incidents have served to widen the breach, and there is now every reason to believe that the Smith hostility to Roosevelt is reciprocated by an equally strong resentment on Roosevelt's part.

This antagonism does not augur well for harmony at the Chicago convention. If the Smith quest for delegates should prove successful to the extent of gathering enough strength to prevent a nomination under the two-thirds rule, there is some likelihood that the McAdoo-Smith convulsion of 1924 will have its repetition in a Roosevelt-Smith fracas of 1932. Any such mix-up would greatly simplify the problem which faces the Republicans next November. The probabilities are that it will not come to pass, yet its occurrence would not be out of consonance with the Democratic tradition that the right time for a quarrel is when you have a good chance to win.

The workings of Mr. Smith's nimble mind at this juncture are not clear to those who stand outside his immediate circle of advisers. Does he really believe, as he is reported to have said, that he lost the election of 1928 because of faulty organization? No perfection of his political mechanism would have given him victory four years ago, and a man of his political acumen ought to realize it. Does he expect any one to believe that the young voters were with him at the

last election and that "if the voting age had been 18 years he would have taken Mr. Hoover to the laundry"?

Such sayings would seem to indicate that the head beneath the brown derby is not as level as it used to be. For it is clear to any unbiased observer that Governor Smith had no chance of being elected four years ago and that he has no chance of obtaining the Democratic nomination this year. Furthermore, if by any miracle he should win the nomination again, his defeat for the second time would be as strong a probability as one can ever foresee among the sinuosities of politics. Accordingly, Mr. Smith is either deluding himself, which is not likely, or his design is to block the nomination of Roosevelt at all costs, even to the extent of waging a finish fight in the convention. That such action would be a service to his party is hard to believe.

As the situation shapes itself today there is no likelihood that any candidate will be nominated on the first ballot, or even on an early ballot. Favorite sons and dark horses will be in the early running. Governor Ritchie of Maryland is within the range of possibilities, although his aggressive anti-prohibitionist attitude will undoubtedly cause him to be looked upon with misgivings by the dry delegations from the Southern States. Senator James Hamilton Lewis of Illinois has pocketed the delegation from that State, fifty-eight in number, but there is no assurance that it will stay with him after the first few ballots. Governor Byrd of Virginia and James A. Reed of Missouri will have the delegations from their respective States. The boom for Speaker John N. Garner, which William Randolph Hearst set in motion during the early months of 1932, has failed to gain momentum, despite the enthusiastic support given to it by William G. McAdoo. And as for the candidacy of Governor Murray, otherwise known as "Alfalfa Bill from Oklahoma," it has raised more dust than delegates. The nomination will not go South or West this year if the Eastern Democrats can prevent it.

Dark horses will be as plentiful as ever this June, but most of them will hardly get beyond the paddock. Among the ebony equines to whom the Democratic convention may turn, however, in case of a serious deadlock, Newton D. Baker has fair claim to be regarded as the leading pre-convention prospect. His intellectual competence, his ability as a speaker, his strength with the liberal elements in both political parties, his reputation as a "moderate" wet and his geographical location are factors that give him availability in case a compromise becomes essential.

Historians will look back upon the pre-convention months of 1932 as having been devoid of much political excitement and lacking in impressive events. The electorate, as a whole, has shown a surprisingly small amount of active interest in the primary contests. Its mind has not been chiefly concerned with politics or politicians but with the urgent economic problems which have come close to every American home. This electoral lassitude may persist, even after the nominations have been made, but it is more likely to vanish as the campaign progresses.

Why This Political Apathy?

By JAY FRANKLIN
Author of "What America Needs"

WHY is it that in this the third year of the most serious economic depression in the recent history of America there should be no sign of anything approaching a major political reaction to the real and inexcusable hardships now being experienced by the 120,000,000 inhabitants of the wealthiest country in the world? Six or eight million of men are unemployed; banks have been closing; wages and prices have been cut; the farmer looks back on the deflation of 1920 as "the good old days"; the professional politicians are rushing around in circles uttering ominous and incautious howls, and the police in a score of cities seem bent on proving that they are capable of law enforcement when it comes to the unemployed. Now, if ever, is the time, when, by all the computations of the Communists and in the light of history, there should be a great radical upheaval in American politics.

Neither a birdseye view of American politics nor the ear close to the ground can detect anything more radical than the possibility that the Democratic vote may be vastly enlarged. The herd of voters stands, like Texas cattle, with their backs to the storm, lowing uneasily but, with the political lightning flashing from every point of the compass, unable to stampede in any direction. Where Russia produced its Third International, Italy its fascism, Germany its Hitlerites and England its National Government, the United States presents a picture of political stolidity and of public apathy without parallel in modern politics.

Men have gone out from Washington and New York under confidential instructions to discover what American people were thinking a politics. They have sought dilige and have reported back that American people are thinking a the baseball season, Greta Ga Amos 'n' Andy and the Lindb baby. So far as political reactio depression is concerned, the atti may be summed up in the statem "Well, next time we'll have to be m careful!"

There will be no "third pa movement in 1932, unless the S wing of the Democratic party de to break away from the regular p organization, much as the Gold D crats deserted Bryan during the Silver campaign of 1896. There i party of "protest," such as the P lists of the '90s, of any significa Progressivism, socialism and con nism are alike without any cons able following in these perilous ti All in all, the American people confronting the Presidential ele with a calmness which is both de tating and disconcerting to the p of the conservatives in both parti raise a "radical scare" against progressive candidate or liberal form, as well as to the liberals had hoped to arouse the voter great gusts of enthusiasm for various panaceas which have bee widely peddled ever since we be conscious of the Five-Year Plan.

Not only is there no radical p cal movement visible in this Pres tial year but there is an astonis dearth of any form of radical le ship. As a matter of cold, prac fact, President Hoover's measure economic amelioration, the farm

act and the Reconstruction Finance Corporation, come closer to radicalism and socialism—in the light of traditional American political theory—than the worst that was ever alleged of Eugene V. Debs. Although ex-Governor Smith took pains to brand Governor Roosevelt as a "demagogue" for expressing a conviction that economic statesmanship should concern itself with the common man rather than with the financial agencies which apply capitalism to that common man, no one in his senses can possibly regard Franklin Roosevelt's politics as being anything but old-fashioned, middle-of-the-road liberalism, flavored with Wilsonian idealism. Smith himself is about as far from radicalism as the Empire State Building is from the Fulton Fish Market.

Governor Ritchie of Maryland has been called many things, but never a radical. Did he not once say that public regulation of utilities was a sort of communism? Newton D. Baker is a scholarly liberal of the academic type represented in American politics by Woodrow Wilson. "Alfalfa Bill" Murray, the wild and woolly Governor of Oklahoma, is almost neolithic in his views on political progress and represents the best economic thought of the canal boat era in American history. Norman Thomas, the courteous and erudite clergyman, who is slowly ridding the American Socialist party of its exotic characteristics, represents a school of political opinion which reached its height when Bernard Shaw was a rising young dramatist and the idea of old age pensions was new. You can scan the American horizon and you cannot find a single "Sockless Jerry" Simpson, a Boy Orator from the Platte or a Coxey's Army.

Political leadership has been practically bred out of our public life by the past twenty years of economic and political administration. Today it is considered presumptuous and all but indecent for any junior in business or politics to have articulate ideas on national affairs and public policy. The "yes-man" has been exalted and coddled so enthusiastically by our big banks and our big political institutions that the banks are practically insolvent and our policies are running down like an unwound clock. The production of civic morons to protect the political and economic interests of our business leaders has been a major feature of political administration in the United States for the past generation.

For almost twenty years, it should be remembered, there has been virtually no political progress in the United States. The enactment of the Eighteenth Amendment—which is about to be repealed or nullified—and of the Nineteenth—which has solved no real political problem in the United States—represents the only major advance in politics by the American people since the first Wilson Administration. After Wilson the country was tired of leadership and submitted to eight years of political stagnation. It was President Hoover's political tragedy that he did not—or could not—grasp the realization that the American people desired and expected fresh leadership after the election of 1928. By the end of 1930, when events had made it clear beyond a doubt that the entire nation was waiting for a clear call to unity and action from the White House, it was too late. The Congressional elections had lost the President his party control of Congress, and our political history since then has been one of cross-purposes.

Finally, one must not forget that for the last generation politics and politicians have been subject to a vicious, sustained and stupefying attack from business leaders. Politicians have been branded in the public eye as stupid, cowardly and corrupt; torrents of mud and vilification have greeted any attempt at leadership along any but the most conventional lines. Mud has a habit of sticking—which is why it is so freely used—and as a result no man who values his family privacy or his mental serenity

has dared light-heartedly to enter the great game of politics, where a man who believes that striking miners are entitled to the protection of the Bill of Rights is regarded as a Bolshevik, while the Congressman who votes a monopolistic tariff rate to a powerful industry is praised for his conservative and practical statesmanship. In the circumstances which have prevailed in America for the past twenty years it is a miracle that even mildly liberal principles of political progress have survived; certainly no radical leadership in either great party has been possible.

The natural and inevitable result is that the American electorate has been schooled to political apathy as a sort of civic virtue. There is much to be said for this; it greatly resembles the quality of the traditional British General, whom the Germans accused of being so stupid that he did not know when he was beaten. On the other hand, the reasons for American political apathy at this time run somewhat deeper than the mere absence of vigorous leadership.

We are a quite different nation from that which backed up Theodore Roosevelt in his "trust-busting" days and elected Woodrow Wilson to the Presidency in 1912. In fact, about 20,000,000 Americans who were of voting age at that time are now dead and 20,000,000 more Americans have come of voting age since the World War, not to mention the stream of foreign immigration which brought several millions of aliens to our shores between 1918 and 1930. We have developed a post-war electorate, and that means that it will not and does not behave with the same light-hearted abandon which characterized the American people before the World War brought us into world politics.

First and foremost, we have been through the World War. Apart from its other causes, it is obvious that the war was partly the result of highly trained and specialized national leadership in the belligerent countries. Some have gone so far as to say that the war was the price the world had to pay for having maintained diplomatic services. This is a libel on diplomacy, but there is a good deal to justify the suspicion that a less clever and self-conscious type of leadership in the Western nations would have failed to realize the logical necessity for plunging humanity into a sea of blood, suffering, hardship and debt.

As it was, the American people became so impressed with the price it had to pay, in terms of domestic repression and disorganization, for the world ideals voiced by President Wilson, that it would have elected any Republican nominee in 1920, and will probably never again elect a college president to the Chief Magistracy of the United States. The nationalistic reaction to the Hoover moratorium of 1931 and the consequent paralysis of American financial foreign policy during the most critical period of the entire post-war financial reconstruction demonstrates clearly that it is still the proud credo of the American isolationist that his women are above reproach and his diplomats beneath contempt.

The second, and most powerful, factor in inoculating the American electorate against radicalism in the election of 1932 is the fact that we have witnessed the Russian revolution. This consideration, which goes far deeper than all the normal charges and countercharges of the radicals and reactionaries, ignores the propaganda and prejudices which have befogged every angle of the Soviet experiment. The plain fact is that the American people puts communism in the "not proved" class. We are not as instinctively hostile to it as our traditional individualists maintain; neither are we so predisposed to acceptance as is argued by the economists who compare the rationalization of American big business with the economic rationalization of the Five-Year Planners.

Most students of American opinion

on the subject of Soviet Russia will agree that we regard Russia with neither fear nor envy, but simply with a fascinated and rather squeamish interest. We admire the direct processes of Soviet administration, and at the same time are keenly aware that a price is being paid by the Russian people for an experiment which is not yet a demonstrable and permanent success. We are inclined to hope that no outside force will interfere with the untrammeled working-out of communism, so that we can discover, once for all, whether we are right in believing that radical politics is no substitute for economic laws, as we know them.

Our caution is powerfully reinforced at this point by the fate of national prohibition, the Eighteenth Amendment, the Volstead act and Senator Jones's famous "Five-and-Ten Law." Before 1920 we were great believers in the idea that a law would solve everything from financial maladjustment to moral laxity. For generations America had been the land of the panacea. There was no idea so crazy that it did not attract a following, produce a national organization and result in a long-continued propaganda for its legal enactment. The history of American frenzies would make a volume in itself. The panacea-complex in American life produced a crop of faddists and fanatics which culminated in "the lunatic fringe" of the Roosevelt and Wilson era.

National prohibition was the great, single expression of this pathetic belief that deeply rooted human instincts for personal liberty and deeply seated racial habits and customs could be wiped out by a single law. We have now had twelve years of such a law and it is painfully obvious that it has not worked. Whatever the cause, the result is the appearance of that interesting institution, the well-run and respectable speakeasy, and of that national figure, the bootlegger, with his little phials of juniper essence, his tin cans of industrial alcohol, his Scotch "straight off the boat," his high-powered limousine and his potent bank account. While a very respectable section of the electorate still believes that prohibition can be made to work if it is sincerely enforced, it is obvious that even among prohibitionists there is a feeling that the success of the law lies not in the law itself but in a campaign of education to make people obey the law.

As a result, the average American is extremely skeptical about the possibility of altering human nature or profoundly modifying economic behavior by means of politics. If a law, designed to encourage thrift and temperance, embedded in the Constitution so as to discourage legislative tampering, enforced by State and nation, backed by the forces of organized business and of organized religion, failed to work itself out constructively after a trial of twelve years, does any one expect the American voter to be hopeful that he can improve his economic lot and insure national prosperity simply by voting for a logical program of radical reform?

The combined impact of the war, Russia and prohibition has left us politically sobered to a salutary degree. It appears almost as if the long reign of the panacea in American politics were over. For example, although the lobby of the professional veterans has been arguing that the way to produce prosperity is to print a lot of bonus money and turn the Treasury into a bank for the veterans, no serious belief is entertained even among the advocates of the bonus that this is the road to national recovery. The Communists—who used inflation as a means of destroying the remnants of the Czarist régime—are the only political group which is loudly favoring this type of inflation as a means of restoring prosperity. If Congress votes a cash bonus it will be only through fear of political reprisals by the veterans, not because

more than a handful of Congressmen believe that the wholesale distribution of fiat money is a cure for our economic evils.

And finally, the genius and temper of the American people favor political simplification. For that reason no third-party movement stands the ghost of a chance in America. One or both of the older parties may well be displaced by a new political grouping, just as the Republicans in 1856 displaced the Whigs. But the development of numerous political parties or blocs, in the European manner, is entirely alien to our political habits. Every now and then some ambitious or disappointed politician—a Roosevelt in 1912 or a La Follette in 1924—forms a personal party, but the party does not survive the election and disappears without a trace. The American voter prefers to vote for men rather than for ideas and for parties rather than for individual leaders.

In 1932 there will be little sympathy with or toleration for any political movement which will obscure the simple issue of the election as it appears to the mass of the voters. This issue is so simple that the professional politicians of both parties will be baffled by it until the morning after election day. For the Republicans the issue is: Shall we swap horses while crossing the stream of economic depression? For the Democrats the issue is: Shall we change our luck at the economic poker game, if we turn our political coat inside out, and install a Democrat in the White House? Nobody knows whether matters will be so grave or so promising by election day that the Americans will decide to fight it out on that line if it takes four more years of Hoover. Nobody knows whether the national resentment at hard times and the disgust at the miscarriage of Republican promises in 1928 of greater prosperity will persist with sufficient force to "turn the rascals out" of every elective office in America.

There is only one type of political development which can seriously modify the fundamental decorum and simplicity of the election of 1932. Every thinking American realizes that there is no longer any real difference between Republicans and Democrats, that campaign promises are never kept in their entirety, and that neither party can divest itself of its economic and geographic past or become a party of political ideas pledged to political action. The indifference of an American electorate which rarely votes more than 60 per cent of its total strength may yet be capitalized, not by radicals and not by reactionaries but by an extra-party movement along national lines among millions of American citizens who do not normally trouble to vote and who are becoming thoroughly impatient with the tension between President and Congress, with the subservience of Congress to special political interests—witness the tariff, prohibition and the bonus—and with the absence of any clear-cut and vigorous leadership in national politics.

Already there is a stir in the political treetops which suggests that there may be an end to the patience of the average little man who pays the taxes, rears his family, holds his job and does not bother his Congressman whenever his brother-in-law is out of work. If an extra-party movement should take form it may well lead to an abrupt change in the temper and character of an election which otherwise promises to be one of the least radical and most conventional attempts to register the popular will by the ballot in American political history.

The Soviets Prepare for War

By ELIAS TOBENKIN
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IN the Soviet Union preparedness for war is preached and practiced with an intensity and on a scale unknown in any other country that is at peace. Hand in hand with the government's stupendous industrial and agricultural program go gigantic military preparations. Young and old of both sexes share in these preparations, and all are made to pay for them. Every section of the Soviet population is made to feel the pinch of want and the chronic shortage of commodities occasioned, in large part, by the government's war economies.

The warehouses where commodities are stored are under strict military guard. At the doors of factories, particularly those connected in some way with the production of war materials, soldiers with gleaming bayonets are stationed, and the visitor must show a properly authorized pass before he is permitted to enter.

The Soviet home is run on a war basis. Bread, fish and cabbage are rationed; eggs, milk and butter, when available, are reserved for infants and invalids; potatoes and meat are scarce; sugar is a luxury and, for months at a time, tea is unknown in many parts of the country. Office, factory and bank employes hold regular drills in wearing and adjusting gas masks. School curricula have been modified to train pupils simultaneously for war and peace.

A spy mania exists. Soviet citizens are warned to guard their speech because agents of "foreign militarism" are about. They are cautioned especially against intimacy with foreigners living in the Soviet Union. Russians who are obliged to deal with aliens, whether temporary visitors or foreign technical experts employed by the government, are instructed to carry on their transactions with a maximum of politeness and a minimum of words. After work and office hours the Russian leaves the foreigner severely alone. The spirit of the Russian people, the press, the theatre and the arts have been mobilized along military lines. And the Red Army abides by the Stalin slogan of "attaining and surpassing" the Western World.

Amazing as it may seem, this vast military superstructure has been reared entirely on a foundation of pacifism. The peace aims of the Soviet Union are stressed continually by its governmental spokesmen—its willingness to enter non-aggression pacts, its offers to disarm completely or in part. Stalin's statement that the Soviet Republic has no imperialistic designs and is not seeking a foot of foreign soil has been brought to the attention of all Russians—men, women and children—who are asked to support the government's military program. They have been assured that the only war in which they will be asked to fight will be for the integrity of the Soviet frontiers—a defensive war. In spite of frequent protests against the government's economic program, the country is united in its support of the Kremlin's policy of defense.

Under the Soviet flag there live 180 separate nationalities speaking 150 different languages and dialects. Each of these nationalities has been taught in its own tongue the aim of the government's defense program; each has become imbued with the

belief that the principal capitalist nations of the world are united upon an anti-Soviet platform and stand ready to invade and dismember Russia. On posters throughout the Soviet Union the "war danger" has been brought to them in such expressions as these: "The world bourgeoisie are preparing to execute a surgical operation upon Bolshevism. * * * The capitalist class is plotting a holy war against the Soviet Republic. * * * France is welding our neighbors into an iron ring about us. * * * Poland and Rumania have concluded a military agreement against the fatherland of the proletariat. * * * England is establishing naval bases in Rumania and Finland — what for? * * * Czechoslovakia has been drawn into our enemy chain. * * * The French navy has been placed at the disposal of Poland in the event that the latter attacks the Soviets. * * *"

The war psychology—some insist on calling it "war psychosis"—of the Soviet Union has its foundation in Socialist dogma. Karl Marx, more than half a century ago, pointed out the "fundamental antagonism" between capitalism and socialism and maintained that a recourse to arms would ultimately be necessary to determine which of the two should inherit the earth. Lenin, the first to attempt to test Marxism as a system governing an entire country, warned his followers shortly after the Bolshevist revolution in Russia that "the existence of the Soviet Republic side by side with imperialist governments for any considerable length of time is unthinkable" and that a war between Communist Russia and capitalist Europe is inevitable.

Stalin expressed the conflict even more bluntly at a recent party convention in Moscow. "There are people," he said, "who think that it is possible for us to conduct a revolutionary foreign policy and have the bourgeoisie of Western Europe kiss our hand for it. Such people can have nothing in common with our party. * * * We are doing something in the Soviet Union the success of which will turn the world upside down. Our continued existence revolutionizes the working classes of other countries."

The Kremlin leaders do not believe that the present world-wide depression is something that will cure itself, as was the case with industrial crises and panics in the past. They regard the present economic disorganization as evidence of the collapse of capitalism as a social system. They predict that from the economic crisis everywhere there will evolve a political crisis, a "sharpening of class divisions in all bourgeois countries." The upper and middle classes, they assert, will everywhere seek a way out in fascism, while the working classes will tend to become more and more revolutionary. This situation, it is believed, will be still more aggravated by "colonial revolts" in India, China, Indo-China and elsewhere.

The final attempt of the bourgeois governments to allay domestic strife and to compose colonial difficulties, so the Kremlin predicts, will be a foreign war, which, no matter where it begins or for what reason, will soon resolve itself into a war against the Soviet Union as the fountain head of world proletarian unrest. "Red Moscow," Climenty Voroshilov, Soviet War Commissar, recently warned his countrymen, will be made responsible for the mistakes and failures which capitalism has been piling up since the World War.

The evidence that public sentiment all over the world is being mobilized for a war with the Soviet Union is to be found in a series of international "incidents" which, the Kremlin says, can be interpreted only as acts presaging intervention by the leading bourgeois governments in the affairs of the Soviet Union. Included in the list of such "incidents" are the assassination of the Soviet Ambassadors, Vorovsky and Voikov, the former at Geneva, the latter at Warsaw, and a number of other attempts on the lives

of Soviet officials. The so-called clerical campaign, as the Russians term the protests by the Pope, the Church of England and the clergy of the United States against the Soviet's treatment of religion, is considered by Moscow in the light of a clarion call to war on the Soviet Republic. The disappearance of the "White Russian" general, Kutiepov, in Paris and the attempt to link the Soviet Government with his disappearance is declared to be of similar intent—to inflame public opinion everywhere against the Soviet Union. The Kremlin takes the same view of the so-called Amtorg falsifications and the activities of the Fish committee in the United States.

Most important among these "incidents" which the Soviets consider as inevitably leading to war with the capitalist world is the campaign everywhere against Soviet imports which are alleged to be products of forced or prison labor. The Soviet Government declares these charges to be baseless, and quotes Bismarck's famous saying that "never do people lie so much as just before the outbreak of a war."

It would be underestimating the sense of realism of the Sovi t Government, which is known to be as keen as that of any other European government, to assume that Communist dogma alone could inspire such intense war preparations as those carried on in the Soviet Union. Territorial differences exist between the Soviet Republic and four of its six immediate European neighbors. These serve as a perpetual source of dispute. Moreover, the Russians see a distinct threat of war in the failure of each of the successive disarmament conferences. They consider that these conferences were deliberately "sabotaged" by the principal capitalist governments, particularly by France.

Some obscure town on either the Polish or Rumanian border will be the Sarajevo of the next war in Eastern Europe, but it is France that will be directly charged with responsibility for such a war. It is against France that the Soviets are most bitter. "France," says a Bolshevist broadcast, "is the most implacable foe of the Soviet Union." The French general staff is charged with formulating the war policies of Poland and Rumania; French banks are charged with financing their armies.

France was the largest Russian creditor under the old régime and was the heaviest loser as the result of the Bolshevist upheaval. Russian industry, railroads, mines and metal factories were, to a large extent, owned by French capitalists. Russian banks were under French control. But there are other complications between Moscow and Paris. The Soviets, indirectly, are in conflict with French influence in the Far East. French bankers financed the Chinese end of the Chinese Eastern Railroad, which is jointly owned by Russia and China, and the final disposition of which is a matter of grave complication.

The attempt of the late Aristide Briand to organize a "United States of Europe" was looked upon in Moscow as nothing more than a means to isolate the Soviet Republic from the rest of Europe. Precisely the same attitude was assumed by the Soviet Government toward the more recent plan of M. Tardieu for an economic union of the Danubian States. Moscow branded this effort as another French scheme to unite the small nations of Europe into a single anti-Soviet bloc. The Soviet Foreign Office is convinced that a "union between France and Japan is already an accomplished fact" and that when war does come the Soviet Republic will be called upon to defend itself simultaneously on both its European and Asiatic borders.

The antagonism between the Soviet Union and France comes to a head over the treatment which the French Government accords to the so-called White Russian émigrés living in France. It is estimated by the Kremlin that 1,250,000 former Czarist officials, military men and landowners

fled from Russia after the Bolshevist revolution. Nearly 500,000 of these exiles reside in Germany, but it is those living on French soil who are the most stubborn opponents of the Soviet régime. Moscow asserts that the 400,000 Russians in France are, for the most part, military men and that they maintain the apparatus of what might be termed a White Russian State. They not only keep intact certain units of the Czar's army, which left Russia in a body, but also are training a new White army on French soil. At the first outbreak of war Moscow expects these émigrés to join the enemies of the Soviet in the hope of smashing the Communist régime and setting up a new government in Moscow. In their propaganda literature the Soviets accuse the French Government with being a direct accomplice in the plans and conspiracies that are being hatched in Paris by the Czarist officers and some of the former Russian Grand Dukes.

Although the Soviet Union and Poland have been at peace since 1920, it is Poland that, after France, is considered by Russia as the principal enemy. The Poles do not deny this. "Our army stands at the frontier of two worlds," a Polish statesman said recently, "the capitalist world on the one side and the Communist world on the other." And from the Communists comes the cry, "Over the dead body of Poland to an all-world conflagration."

Between 1922 and 1928 twenty-two munitions plants were constructed in Poland, while the total number of workers employed in the production of war materials has risen to more than 60,000. Between 50 and 70 per cent of Poland's national budget, according to the calculation of Moscow, is devoted to military expenditures, and year by year these have progressively increased. In 1928 Poland's war budget amounted to $85,500,000; in 1929 it rose to $91,000,000, in 1930 to $95,000,000 and in 1931 to $96,500,000.

"Incidents" on the Polish-Soviet frontier of the type that frequently precede a war of late have become numerous. According to official Polish figures Polish military courts during a six-month period condemned fifty-nine persons to death on charges of espionage on behalf of Russia. The Soviet Government, on the other hand, recently declared that Polish terrorists were "hiding in Polish diplomatic uniforms" in Moscow and were directing plots on Soviet soil.

The prevailing opinion among Soviet officials is that Poland's intensive war preparations are motivated by aggression rather than by defense. It expects to emerge from a war with the Soviet Union as a "Greater Poland," as a "Poland from Sea to Sea," the dream of the more militaristic elements of the country for years. The hope is for a Poland stretching from the Baltic to the Black Sea, with the port of Odessa and that part of the Ukraine which leads to it—one of the most fertile areas in Europe. The military groups want portions of White Russia and expect to be rewarded with these territories in the course of the dismemberment of Russia which, as they anticipate, will follow a victory over the Soviet Union.

Between the Soviet Union and Rumania no treaty of any sort exists and there is no commercial or diplomatic exchange between the two countries. The Soviet Government has never recognized Rumania's seizure of Bessarabia and disregards completely the sanction of the Versailles treaty in the matter.

Rumania's war budget in 1931 was $65,500,000, which, in proportion to population, exceeds even the Polish budget. Military aviation, to mention but a single form of armament, has grown to colossal proportions for so small a country. Rumania had only sixty war planes in 1923; today the number is 280. Furthermore, the Soviets insist that there is an agreement between Rumania and France which stipulates that in the event of

a war with the Soviet Union the French Government will supply Rumania with additional aircraft, with tanks and with chemical equipment for warfare.

The general staffs of Poland and Rumania openly cooperate with each other and the combined staffs of these countries are closely connected with the French general staff in Paris. An agreement between Poland and Czechoslovakia provides for the unhindered passage of French ammunition through that country to Poland and thence to the Soviet border.

Estonia is another link in the chain of border States which forms a sort of *cordon sanitaire* about the Soviet Republic and keeps Bolshevist civilization from coming into direct contact with the countries of Central and Western Europe. Estonia, too, has her territorial ambitions and border grievances. The Estonians believe their territory should extend not to Narva but to Novgorod, in the Soviet Union. Estonia's war budget is only $5,000,000, but in the event of a war with the Soviet Union the country would possess strategic importance for an offensive by other capitalist nations.

Finland lays claim to the small, adjacent Soviet Republic of Karelia, whose population is largely of Finnish stock. But as Finland's war budget has remained at $14,200,000 since 1928, the menace to Soviet Russia would not seem to be very great.

Old Russia was never very successful in carrying on war. Ethnological and geographical conditions, together with a certain genius for foreign diplomacy, favored the expansion policy of the Czars. Throughout the thirteenth and fourteenth centuries and part of the fifteenth, Russia paid tribute to the Tartars, a much smaller but more warlike and determined people. Ivan the Terrible ended this Mongolian menace, but his successors were harassed and humiliated by Lithuanian and Polish nobles. Peter the Great imported foreign officers and organized Russia's first modern army, but it was beaten by the Swedes. In the middle of the nineteenth century Great Britain and France prevented Russian expansion at the expense of the Ottoman empire. And at the opening of the twentieth century Russia was beaten by the Japanese.

Under the Czars the loss of a foreign war was invariably followed by a grave domestic upheaval. Russia's defeat at Port Arthur, for example, ushered in the revolution of 1905, while her débâcle in the World War cost Nicholas II not only his throne but his life. The Kremlin dictators have taken complete and poignant account of these historically significant facts. The preparedness program of the Soviet Union is predicated upon the determination that in the next war Russia shall not be defeated.

The Five-Year Plan, which aims to make the Soviet Union independent of the rest of the world in raw materials and machinery, is the foundation upon which the Kremlin has built its plans for victory. Another move in this direction is the sincere disclaimer by the Soviet Government to its people of any imperialistic designs. In the next war the Russian soldier will be asked to fight in defense of his country only and not for territorial or colonial aggrandizement. The third and most dramatic step to insure victory of the Soviet Union in a future war is the universal militarization of the Soviet population, of Soviet industry, of the Soviet mind. Every ablebodied person is a soldier, actually or potentially; every factory is an arsenal; every peasant hut a fortress.

The Red army numbers 560,000 soldiers, one-third the size of the Russian army under the Czar. This is an average of one soldier to every 240 persons in the Soviet Union; in Poland the proportion is one to eighty, while in France there is one soldier for every sixty civilians. "How do you account for the smallness of your standing army in view of your assertions that the peace of the Soviet Union is continually threatened by

its capitalistic neighbors?" the writer asked an important Soviet official in Moscow. He replied laconically: "The Red army is not an army of soldiers, but of officers, of commanders, as we call them. Our soldiers are *the whole of the Russian people."* The answer was not a flourish, but a statement of fact. The Soviet Union has undergone a military revolution as thorough as the political, social and economic transformation.

In the Soviet Union every citizen is familiar with some branch of military science and war tactics; 60,000,000 children under 17 years of age receive military training in connection with their school work; 60,000 "military circles" are conducted by the Osoaviachim, the Soviet Union's national security society for the training of workers, clerks and office holders. The Osoaviachim has 12,000,000 members. Every factory, every agricultural collective has its military club. The universities are schools of army tactics. Sport has been militarized.

The Comsomols, or League of Communist Youth, has 5,000,000 members between the ages of 16 and 23 who are given specialized courses in addition to the regular military training required of all school and factory youths. Their training so nearly approximates that of the regular soldier that they are usually spoken of as the country's "junior army."

Women, 2,000,000 of them, are being prepared in case of war to take the place of men on the farms, in industry, in commerce and as city officials. And 250,000 are training for regular army service; in 1930 fifty women were admitted to the higher military academies to study for the positions of officer or commander.

Because of the lack of proper railroad facilities the Soviet Government is developing aviation to a high degree. In the past year 150,000,000 rubles (about $75,000,000) was spent on aviation, and by the end of 1932 the air routes of the country are expected to reach 69,270 miles.

A body of 100,000 men has been trained to give instruction to the people in methods of defending themselves against chemical and poison-gas warfare. Moreover, there is widespread military standardization of all objects that can be used both in war and peace. Thus, the boots sold to the peasant are of a type used in the army.

The Soviet Government's own estimate of its military strength and fitness was recently given by L. M. Kaganovich, a member of the all-powerful Politburo, and next to Joseph Stalin and Premier Molotov the strongest man in the Communist party of Russia. "To our enemies at home and abroad," Kaganovich said, "we wish to state that our army is growing and becoming stronger day by day. It consists of the working class, of the collectivized farm laborers, of the poor peasants. Our organized forces include 11,000,000 members of trade unions, 9,000,000 members of voluntary defense organizations, more than 1,000,000 delegates to the Soviets, 5,000,000 members of the League of Communist Youth and 4,000,000 pioneers. The leaders of this army are 2,000,000 members of the Communist party, the best organized proletarian party in the world."

Economic Planning Under Our Laws

By WALTER J. SHEPARD
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AS the economic depression continues unabated, an increasing number of voices are heard demanding that the present system of business organization be radically altered; that for the principle of "rugged individualism" there be substituted some scheme of national planning. Coming as they do not only from Socialists and radicals, from academic theorists and journalistic doctrinaires, but from some of the most experienced and substantial captains of industry, these expressions of fundamental disillusionment must give us pause. When men like Mr. Gerard Swope and Mr. Owen D. Young, when organizations like the United States Chamber of Commerce, insist that the old system of *laissez faire* can no longer serve the needs of an increasingly interdependent economic and social system, we can scarcely dismiss their proposals for national planning, as does President Hoover, as "an infection from the slogan of the 'Five-Year Plan' through which Russia is struggling to redeem herself from the ten years of starvation and misery."

The various concrete plans that have been proposed differ in many substantial respects, but those which deserve serious consideration all embody some element of governmental control as well as a large degree of voluntary cooperation by business. In all there is recognition that government must assume a larger rôle in business, and that this rôle must to some extent be that of coercive authority. There has been little consideration of the constitutional grounds upon which this control may be exercised. Dr. Charles A. Beard, whose plan* goes furthest, admits that constitutional changes may be necessary, though he asserts that "in all this there is no departure from concepts now well established in American law."

The purpose of all the proposed plans is to stabilize industry, to eliminate as far as possible periods of depression, to insure continuous employment for the nation's workers. To achieve this result production and consumption must be balanced. This clearly involves what Europeans call "the rationalization of industry," the limitation of output to probable consumptive demand and the allocation to each unit of an industry of its productive quota. It further requires a cessation of competition and the establishment of uniform prices, the maintenance of standard wage scales and some system of unemployment insurance, if not of employment assurance. These constitute the minima of any system of national planning.

There seems to be general agreement that to accomplish any such program the anti-trust laws must repealed. These emanate from the period when the prevailing fear centred in the menace of monopoly. They were designed to curb the growing tendency toward industrial combination. National planning accepts the principle of a unified system of production and only insists that it shall function in the public interest and not merely serve to increase private profits. But

*See *America Faces the Future*. Edited by Charles A. Beard. Boston: Houghton Mifflin Company, 1932. $3. This volume contains Dr. Beard's and various other national economic plans.

the restraints of anti-trust legislation must not be withdrawn without assurance that the interests of consumers, workers and the public generally are safeguarded. Furthermore, there is no reason to believe that the organization of all units of an industry into a national system is possible without the coercive assistance of law. There must be some means of compelling recalcitrant individuals and corporations to enter and participate in the general plan.

It is thus evident that legislation will be required to compel individual industrial units to accept membership in trade associations or syndicates; to establish governmental agencies with legal authority to approve or effectively disapprove particular trade practices; to limit the production of particular units; to enforce uniform prices; to maintain standard scales of wages; to insure continuous employment to workers, or some satisfactory system of unemployment insurance; and to exercise such other supervisory powers as may be necessary to the effective operation of a nationally organized system of industry in which production is planned with reference to consumptive demand. It is probable that an effective coordination of production and consumption will involve one additional governmental control—namely, the limitation of profits.

One might cynically suggest that "national planning" is simply a euphemism for "socialism." We have been taught that the capitalistic system consists essentially of the elements of free enterprise, unrestricted control of the management of business and the right to unlimited profits. All these are seriously impaired, if not destroyed, by the system of governmental and legal controls which it is agreed are necessary to any effective scheme of national planning. What is left are certain limited rights to management and certain limited rights to profits, and these are, under the prospective system of gigantic corporate organizations, effectively divorced from one another. The shareholder sinks into the position of a mere investor in securities, indistinguishable from the bondholder save that his right to a return is contingent within limits instead of determined and fixed. The directorates and managers function within the limits of a determined plan that leaves them little scope for initiative or generalship. But this is what has already occurred with respect to the railroads, now operating under the supervision of the Interstate Commerce Commission and subject to legal restraints enacted by Congress. Perhaps we can best envisage the scope and nature of a planned economy if we project the existing organization, management and control of the railroads into every branch and element of industry.

The question of whether such an extension of government control of business is possible within the framework of our Federal Constitution and the jurisprudence which has been built up in its interpretation is one of great, though perhaps not of supreme, importance. There is always the possibility of constitutional amendment. A generation which has witnessed the modification of our fundamental law by the Sixteenth, Seventeenth, Eighteenth and Nineteenth Amendments, and which anticipates the speedy ratification of the amending proposal for the elimination of the "lame duck" sessions of Congress, not to speak of the possibility of a repeal of the Eighteenth Amendment, does not hold the Constitution as sacrosanct.

But it is not clearly evident that the accomplishment of a planned economy would necessitate formal constitutional change. It is possible that the courts would find means of validating even the most advanced proposals that have been offered under already accepted principles of constitutional interpretation. The question of constitutionality always embodies a large element of judicial discretion. The judicial process is not one of auto-

matic application of fixed principles to definite situations. As Mr. Justice Holmes has so well said, "the life of the law is not logic but experience." And while at times the Supreme Court may appear to reflect the experience and public opinion of the day before yesterday rather than of today, it never loses complete touch with the pulsating currents of economic and social life. Judicial decisions are after all the judgments of men—men, it is true, highly trained in the law, but men whose attitudes and points of view are influenced by the events that take place around them and by the revelation of the social and economic trends in a dynamic civilization.

There are indeed certain principles of constitutional interpretation, certain legal doctrines, which afford the means by which a planned economy might be approved by the courts as within the limits of the Federal Constitution. These principles would certainly have to be developed and enlarged far beyond their present application. This would require a breadth of view, a depth of understanding of the epochal character of the present economic situation which the Supreme Court may not possess. It would mean that the legal and social philosophy of such justices as Brandeis and Stone would have to become the prevailing philosophy of the court. But the trend of judicial decisions in the recent past and the appointment of Mr. Justice Cardozo to the court afford real promise of a movement in this direction.

The regulative authority of government in the American system finds its ultimate source in the so-called "police power," a vague and general right of government to establish such laws as are necessary for the protection of the life, health, morals and general welfare of the people. Strictly speaking, the police power is an attribute only of the State governments, the Federal Government possessing only such powers as are specifically granted to it by the Constitution. But effectively Congress also possesses this regulative authority as incidental to the powers conferred upon it by the Constitution, particularly the powers to regulate interstate commerce and to lay and collect taxes. The police power is not unlimited. The fifth amendment to the Constitution forbids Congress to pass any law which shall "deprive any person of life, liberty or property without due process of law." A similar restraint is imposed upon the States by the Fourteenth Amendment. These due-process clauses of the Constitution are quite as vague and indeterminate as the "police power" which they limit. Both the scope of the police power and its limitations acquire definition only through the decisions of the courts in specific cases. To quote Professor Willoughby:

"Like the struggle between Ormazd and Ahriman, the contest between the restraining power of due process of law and the legitimitizing energy of police control furnishes much of the material of present-day constitutional disputes. Those who favor an extension of State control would identify the police power with the being Ormazd, while those who view with fear further inroads upon individual liberty of action and the sanctity of private property rights would be disposed, no doubt, to view due process as the constitutional Ormazd, and the police power, in its wider extensions at least, as representing Ahriman."

With respect to the exercise of regulative control the courts have made a distinction, based upon an old common law doctrine, between those businesses which are purely private in nature and those which are "affected with a public interest." With respect to the latter a much wider field of control is permitted than in the former. But just what businesses are and what are not affected with a public interest has never been clearly determined.

In a case coming to the Supreme Court from Oklahoma and decided on March 20, 1932, the court held a State

statute which attempted to regulate the ice business unconstitutional. Mr. Justice Sutherland, in delivering the opinion of the court, declared that the ice business was no more a public business than dealing in groceries and shoes. But in a vigorous dissent, Mr. Justice Brandeis (supported by Mr. Justice Stone) asked, "What is a public business?" He observed that businesses once called private are now considered public, and referring to the present economic situation, remarked that on every hand "unbridled competition" was held to be the cause of difficulties.

The Colorado court has held that "we must take judicial notice of what has taken place in this and other States, and that the coal industry is vitally related, not only to other industries but to the health and even the life of the people. Food, shelter and heat before all others are the great necessities of life." This leads Professor Cushman to remark that "this is a line of reasoning which raises the query whether the courts may not yet come to the point of defining businesses 'affected with a public interest' in simple terms of human necessity." Should this development in judicial interpretation take place, the regulatory power of government now exercised in the field of so-called public utilities would be greatly extended.

A number of constitutional questions are definitely raised by the projects for national economic planning:

I. Shall the Federal Government or the States constitute the instrument for the necessary governmental regulation and control? Social planning may to some extent be achieved through State legislation, and, indeed, Governor Philip La Follette has offered to the Wisconsin Legislature a very interesting State plan, part of which has already been enacted into law. But it is evident that no really comprehensive and satisfactory national plan can be realized by the concurrent action of the several States. Apart from the difficulty of securing agreement among the forty-eight Commonwealths, modern industry is so largely interstate in character that any attempt at regulation and control by the States would probably encounter the insuperable obstacle which the interstate commerce clause of the Federal Constitution presents.

II. Does Congress possess a regulative authority, an effective police power, sufficiently broad to establish a national scheme of planned economy? The Federal Government is one of limited and specified powers. Congress can legislate only within the limits of those powers which have been given it by the Constitution. It is necessary, therefore, to find some specific grant or grants of power in the Constitution under which a plan for integrated and controlled industry might be established. It is undoubtedly in the power of Congress to regulate interstate commerce that we shall find such an authority, if it exists at all in the Federal Government. The power to lay and collect taxes may constitute a supplementary source of regulatory power.

III. Does the interstate commerce clause confer such a general power to regulate industry as a national plan would require? The decisions of the Supreme Court, while giving a fairly wide interpretation of the term "commerce," have excluded various business activities, such as manufacturing, from the regulatory power. The fact that a corporation is engaged in interstate commerce does not in itself warrant legal interference in those aspects of its business which are not commercial in character. On the other hand, the Supreme Court has upheld the Clayton act, which forbids various unfair practices such as discrimination in price between different purchasers of commodities, and in its more recent decisions has tended to enlarge the definition of commerce and to restrict more rigorously the States in any attempt to impose regulations upon businesses en-

gaged in interstate commerce. It should be a fair inference that to the extent that the States are not permitted to exercise a legitimate police power over businesses engaged in interstate commerce, Congress may exercise such control. But it is evident that here the courts will have to broaden their constitutional interpretation if a national economic plan is to be achieved.

IV. Does the doctrine of public interest afford a basis for justifying a broader regulative authority in Congress? This principle has been generally used in the past in support of State regulation of particular businesses which are deemed peculiarly public in character. The classification has been largely historical and rather arbitrary. Two lines of development in this doctrine are necessary in order to make it effectively useful in supporting a broad system of industrial control—its acceptance as applicable to regulations by Congress, and its expansion to include that wide range of businesses which are in fact of concern to the public, though hitherto considered as private.

V. To what extent may the due process clause of the Fifth Amendment be expected to interfere with a program of national planning? This is equivalent to the question of how far an individualistic philosophy will control the decisions of the Supreme Court. It may be said of the Fifth Amendment what Mr. Justice Holmes said of the Fourteenth, in his famous dissent in the Lochner case: "The Fourteenth Amendment does not enact Mr. Herbert Spencer's *Social Statics*. * * * A Constitution is not intended to embody a particular economic theory." Probably in the last analysis the question of the constitutionality of a national economic plan will depend upon the degree to which the Supreme Court may respond to the pressure of public opinion and the force of events by giving a broadly social, rather than a narrowly individualistic, interpretation to the due process clause.

It is not likely that any of the particular blue-prints for a national economic plan which have been presented, or any other comprehensive and all-embracing scheme, will be enacted into law by Congress. Rather may we expect that our industrial and business problems will be attacked piecemeal. Experimentation must proceed first in one direction and then in another. Certain industries, like that of coal, call immediately for regulation. We cannot permit them to continue their anarchical course much longer. Thus the courts will probably not be called upon to decide all the issues which national planning raises in any single case or at any one moment. They will have the opportunity to feel their way toward a new orientation. They cannot be expected to reverse the trend of precedents over night.

Before his appointment to the Supreme bench, Mr. Brandeis said: "I see no need to amend our Constitution. It has not lost its capacity for expansion to meet new conditions, unless it be interpreted by rigid minds which have no such capacity. Instead of amending the Constitution, I would amend men's economic and social ideas. * * * Law has always been a narrowing and conservatizing profession. * * * What we must do in America is not to attack our judges but to educate them." The forces of economic evolution, however, will not indefinitely await the process of judicial education. If a conservative attitude continues to dominate the Supreme Court, the pressure of events may compel a revision of the Constitution. But until raised in the course of litigation, the constitutionality of national planning must rest on the knees of that august tribunal.

British Democracy, 1832-1932

By LORD PONSONBY

[Lord Ponsonby, a great-grandson of Charles Earl Grey, the British Prime Minister who brought about the passing of the Reform Bill of 1832, began his career as a Page of Honor to Queen Victoria. He has served in the British diplomatic service, as private secretary to the Prime Minister in Sir Henry Campbell-Bannerman's government, as member of the House of Commons and as a Cabinet Minister. Raised to the peerage in 1930, he is now the leader of the Labor Opposition in the House of Lords. He has written a number of books on diplomacy, politics and social questions.]

THE Great Reform Bill was passed through the British Parliament on June 7, 1832, just a century ago, and makes a good starting point for a survey of the development of democracy in Great Britain in the last hundred years. Superficially one might at first suppose that in spite of an inevitable ebb and flow, temporary setbacks and periods of reaction, the striking growth of the participation of the people in the government of the country had almost reached the expected culmination of the firm establishment of a true democracy. But curiously enough things have not worked out in that way. If instead of saying "the expected culmination" we had been able to say "the desired culmination," it might have made all the difference. But we could not, because it would have been only partially true. However, we must not begin at the end.

In the year 1792—the year of the French Revolution—a voice was raised in the House of Commons for reform. It was the voice of Charles Grey, who gave notice of a motion for discussion in the following year. "It is of the utmost importance," he declared, "that the House should enjoy the good opinion of the public and possess their confidence as a true representation of the people." The fight over the first step was to be a long one, but the distinguished Whig aristocrat possessed to an unusual degree both tenacity and persistence. Not till forty years later when, as Earl Grey, he was Prime Minister did he see the final passage into law of the measure to which he had devoted the main part of his public life. The opposition of the House of Lords and of the King, William IV, had to be overcome before the struggle was concluded.

Seats in the House of Commons could now no longer be purchased or inherited as private property. Hitherto over three hundred members of the House of Commons had been returned by the influence of landowners and boroughmongers, most of whom were members of the House of Lords. This profound change which converted nominated government into representative government could only have been effected in other countries by civil war. The franchise was extended, and this in future generations was destined to go further. But the significance of the Reform Act of 1832 lay in the fact that the House of Lords lost their control over the House of Commons and a subordinate House of Nominees was changed into an independent and increasingly powerful House of possible Antagonists.

The next attempt at reform took place in 1866, when Lord John Russell introduced a bill. He was defeated on it, and in the following year it was taken up again by Disraeli, who passed a bill which went further than the Whig proposals and caused misgivings among the Tories. By its pas-

age in 1867 the franchise was further extended to about 500,000 more electors. In 1884 Gladstone with some difficulty passed a further Reform Bill which gave the vote to the agricultural laborers in the counties, and an unsuccessful attempt was made by redistribution to correct some of the anomalies in the widely divergent size of the constituencies. After the war in 1918 the Coalition Government passed a measure which amounted almost to adult suffrage; women were accorded the vote for the first time and became eligible for seats in Parliament, and by a redistribution scheme the size of the constituencies was more or less leveled. A few years later women were admitted to the franchise at the same age as men, and the full extension of the franchise to the adult population was completed.

As the electorate extended there was bound to be a change in the personnel of the House of Commons. Gradually the once aristocratic House, the members of which acted only as an audience to the orations of the few great statesmen and Ministers of the day, became open to the middle class. Toward the end of the nineteenth century the spread of education dating from the Education Act of 1870, which gave free education to all, brought the workers to the front. Local government acts were passed between 1888 and 1894 by which County Councils, Borough Councils, District and Parish Councils were established, affording the poorer class opportunities for experience in local administration. A series of measures were also passed legalizing and extending the power of trades unions and so forcing to the front the needs of the great industrial population which was increasing in numbers while the agricultural population was declining. In the last decades of the century working men found it possible to enter Parliament and a few were returned as Liberals. In the twentieth century progress came more rapidly. Men of moderate means were able to take up a Parliamentary career; a Labor party detached from the two traditional parties was formed; election expenses were reduced, and members were paid. Many more members with first-hand experience took their part in Parliamentary debates.

The cataclysm of the World War shattered the powerful Liberal party which had been returned by an overwhelming majority in 1906. The Labor party rapidly increased in numbers and twice before the close of the hundred years we are examining they were in a position to form a government largely composed of working men or men and women without independent means. The demands of the Chartist agitators of nearly a hundred years ago who were condemned and dealt with as revolutionaries are all (except the demand for annual Parliaments, which was dropped) universally accepted as indispensable conditions of British political life. So much for the political machine—a remarkable record of steady and complete reform.

Before considering how this machine has been used a word must be said as to the position of the champions and supporters of the old order. The blow given to the House of Lords by the reform bill of 1832 deprived it of its dominant position. But it was still able by its power of veto to put the drag on and hamper the passage of progressive measures. Gladstone found the position thus always imposed on a Liberal government intolerable; Bright eloquently voiced the popular indignation against this relic of aristocratic privilege, and even Rosebery formulated schemes for preventing deadlock between the two houses. But not till 1911, after Campbell-Bannerman had warned the Lords that he had a sufficient majority to deal with them, was an effective check to their power passed in the Parliament act of 1911 under the Asquith Liberal Government. The Lords were deprived of their veto on

financial measures and allowed only the power of delay for two sessions on ordinary legislation.

Meanwhile the aristocracy were fast slipping into a backwater. Accustomed to be accepted as the traditional governing class, they found themselves unable to compete with the other classes in producing men sufficiently well equipped to deal with the technical, economic and industrial questions which demanded increasing attention. Their public schools made no effort to train their boys and prepare them for the new functions of government and eventually even the Tory party had to choose its leaders from the middle class, only very few aristocrats remaining in positions of responsibility in politics.

The monarchy in the person of Queen Victoria, whose reign covers more than half the period in question, regarded the growth of democracy with grave suspicion. But the Queen was more concerned with the firm establishment of monarchy in England at a time when sovereigns were beginning to fall from their thrones in Europe than she was in thwarting the advance of popular institutions. Her opposition to Liberalism in her later years was more due to her personal antipathy to Gladstone and her disapproval of his foreign, imperial and Irish policies than it was to any desire to obstruct really democratic measures. The republican movement of the '70s was of no importance. She had become unpopular because of her prolonged retirement after the Prince Consort's death, and people were told they were not getting their money's worth out of the monarchy.

But the wiser minds knew that these constitutional questions were of little or no consequence as compared with the social and economic questions in which a growing democracy must primarily be interested, and understood that advance could be made every bit as well under a constitutional monarchy as under a republic. The monarchy in fact adapted itself to the rapid changes and lost nothing in popularity, and so long as there is no suspicion of interference with the decisions of the elected representatives of the people the harmless historical traditions of the Crown need not be disturbed.

Legislation affecting the conditions of the people, however, did not become the close concern of Parliament to any great extent till after the dawn of the twentieth century, though philanthropists such as Lord Shaftesbury had rendered splendid service in abolishing some of the more cruel and degrading conditions of the working class. It was only after the triumphant victory of the Liberal party in 1906 that the Liberals and later the Labor party and indeed the Conservative party itself found themselves obliged to deal with vital questions such as pensions, wages, housing, hours of labor, factory inspection, unemployment insurance and greater educational facilities. But public attention was occupied throughout the period from 1832 by cross-currents which often relegated domestic issues to a secondary place.

Over a number of years the issue of Home Rule for Ireland broke up parties and caused changes of government. Wars of frequent occurrence disturbed the nation as a whole. The Crimean War in the fifties, though not serious, was sufficient to distract Parliament from other work, and the World War, with its complete dislocation of the life of all nations, has left a burdensome legacy producing problems which have to occupy the constant attention of governments and Parliaments, and will continue to do so for generations to come. Wars in South Africa, Egypt and Afghanistan and wars consequent on the policy of imperial expansion broke out at intervals, preventing, as all wars inevitably do, any serious concentration of public attention on social evils and economic problems at home.

Electoral reform except for a few minor anomalies was satisfactory. The doors of Parliament were opened to all classes. But the procedure of the House of Commons and the tradition of the governing class hardly changed. The power of the Executive, the efficiency of the civil service and the subtle social influence which the Conservatives could wield behind the scenes constituted a formidable force working for the maintenance of a capitalist system of society. The Liberals, occupied largely with middle-class prosperity, concentrated on programs of amelioration and palliatives. They achieved a certain amount. But industry, finance, the Established Church and the landowners, except for having to bear a fairer share of taxation, were undisturbed in the exercise of authority in their particular spheres. The Liberal party was broken by the World War and unexpectedly, after only about twenty-five years of existence, the Labor party found itself the largest progressive force.

Keir Hardie, in founding an independent Labor party at the beginning of the century, refused any association with Liberal reformists. He based his policy on socialism—that is to say, a fundamental change in the constitution of society. He saw that the power of financial and industrial magnates, of landowners and of big business could not be shaken by Parliamentary measures occasionally conceded in order to improve the lot of the workers. But his successors, while paying lip service to the Socialist ideal, were content to use the old machine, were ready without a majority in Parliament to take office and were eager to show the old parties that they could carry on the government of the country on the old lines, preserving the old traditions, working with the old methods and endeavoring to turn the powerful old machine to new uses. But the machine was too strong for them. Just as material machinery has succeeded in dominating mankind, so the political machine molded a new party bent in principle on a revolutionary policy and forced it in practice to confirm to the orthodox line of progress, slow, cautious and unenterprising.

The war had meanwhile produced problems of a nature hitherto unknown, problems the solution of which baffled the greatest experts, and these problems were incapable of solution by any one nation. The world had become smaller; nations had become closely interdependent. People who had been devoting their attention to the domestic concerns of their country found everything they touched closely linked up with the complex ramifications of international affairs.

The Labor party, little more than a new edition of the Liberal party, without a majority in Parliament and with far less control and influence than the older parties over the great financial and industrial interests, was manifestly incapable of coping with the situation the moment they were told that it had reached a critical stage. Some of their chief leaders having easily been enticed by social pressure into the camp of their opponents, Labor fell from power with a crash and the Conservatives, with the supposed assistance of the other two parties, assumed command of the nation's affairs. The huge electorate, seemingly so democratic in form but largely composed of an easily swayed mob, was even more susceptible to the cries of alarm than it had been to the loud jingo war appeals of 1900 and 1918. The so-called National Government with a tame House of Commons could disregard parliamentary forms and make the authority of the Executive supreme.

This culmination of political development in Great Britain at the end of the hundred years is interesting. Whatever it may denote, it does not denote the advent of democracy. The two progressive parties are broken into fragments and the only hope for

those who believe in a real social democracy is the fact that 7,000,000 Labor electors remained faithful in the storm to the ideals for which they had been striving.

But the foreign situation cannot be left out of account. Since the war parliamentary government has broken down in a number of countries and dictatorships have been set up. The most noteworthy of these are Italian fascism and Russian communism, which have both had considerable influence outside Italy and Russia. The danger of either of these two extremes cannot be dismissed as fanciful. If parliamentary government in Great Britain proves by the new methods adopted that a modified form of Fascist dictatorship is on its way, this is bound to strengthen the opposite extreme. Those who show growing impatience and exasperation with Parliament for its slow-moving and out-of-date procedure are likely to be strengthened in their belief in the inherent inability of Parliament to get down to fundamentals in the direction of socialism. They may increase in numbers and the Left wing of the Labor party will vere toward communism. This is what is happening in Germany where, however, conditions are worse and discontent greater.

Free trade was established in 1846 by Sir Robert Peel and under it Great Britain gained her commercial supremacy. The Conservative protectionists in the early part of this century made a desperate attempt to overthrow the free trade settlement but failed. Taking advantage of the present national crisis the Conservatives have this time succeeded in reviving the very doubtful expedient of tariffs in order by this means to attempt to restore the adverse balance of trade. A policy of reaction in all directions is therefore in full swing. The Conservatives have played their cards with consummate skill. They are far more united than either of the other two parties and they know how to gull the electorate with a sufficient amount of legislation for the improvement of the material conditions of the workers in order to prevent any serious discontent.

The Liberals, although they still possess several men of ability, have ceased to be a political force that counts. They are divided into three camps: (1) Those who are ready to throw in their lot with the Conservatives; (2) those who are ready to coöperate so long as a supposed crisis exists but no longer; (3) those who stand out for absolute independence or for alliance with Labor. The ranks of Labor are also divided into three sections: (1) Three leaders and a small band of followers who have deserted the party and are willing to carry out the policy of those who have hitherto been their opponents; (2) the main body who came out of the government and have the strong backing of the rank and file of the party in their attitude of opposition to the present government; (3) those who insist on the uncompromising proclamation of immediate socialism, trading to an excessive extent on purely material gain for the workers.

With the progressive ranks thus split up the party system may be superseded by the group system, which is entirely alien to British tradition. The future would appear for the moment to rest largely in the hands of the Conservatives, who are pressing for a policy of self-contained nationalism or assertive imperialism and are determined to check the further advance of democracy. The more they succeed the more will the advent of democracy be delayed. This is an unexpected climax, unforeseen by those who dreaded the extension of the franchise and were apprehensive of the spread of education. But in these days no one dares prophesy in the field of politics. Events move rapidly; great changes come suddenly. The heaviness of the weight on the British political pendulum has made it swing

far. Who can foretell how far it may swing in the opposite direction? There are no political giants in Great Britain today, no voice that can give an inspiring lead—no Pitt, no Peel, no Disraeli, no Gladstone. Left to itself the vast electorate, often perplexed and largely ignorant, has shown that it can be captured by a cry, by an alarm or by well-devised propaganda.

Yet capitalism, based on imperial arrogance and the perpetuation of class distinctions and relying on the Conservative expedients of patronage and charity, has failed to maintain peace either abroad or at home. This failure is likely to become more and more evident. Socialism has not been tried. It will not be the mere result of acts of Parliament; it is a method of organizing an industrial community by public control for the benefit of all which promises to be the most effective system of ensuring the general welfare of a nation. Private enterprise in the larger national concerns has broken down and the natural evolution of society is toward cooperation for the common good instead of a profit system for the individual alone.

Nevertheless, some may condemn democracy as it has so far developed, call it a failure and a danger and assert that its further advance must be stayed. Others may contend that in a transition stage it is not fair to judge the initial efforts of a new force which in England must be slow in its development and that this is only a momentary setback. Some may have their eyes on Russia, others on Italy. But whatever tentative conclusion may be reached in an examination of the present situation, the fundamental good sense of the British people may be counted on in the long run. They may be apathetic, stolid and phlegmatic; they may glory in being thought stupid; but in this baffling and probably forever insoluble problem of the organization of human society they are not unlikely to assume the leadership in the future as they have in the past, deriving from experience and from the experiments of others the methods best adapted to their own particular character and temperament.

The Legacy of Versailles

By ROGER SHAW

IT is interesting to reconsider at this juncture of world affairs the written bond which marked the end of the World War. Not a few thinkers attribute the existing international discord to the conditions embodied in these peace treaties. Others declare that upon strict maintenance of the treaties rest the hopes of eventual international harmony. What, in brief, were the penalties inflicted upon the conquered Central Powers?

The Treaty of Versailles, which ended the war as far as Germany was concerned, was signed on June 28, 1919. It was, in effect, a dictated rather than a negotiated peace, and was accepted in that spirit by the vanquished—who were simply instructed to sign on the dotted line. This they did, much as a drowning man clutches at a straw. From this Versailles treaty, which dealt with Germany, and from its accompanying treaties, which dealt with the allies of Germany, date most of the political controversies which today are racking Europe. France and her associates have upheld the status quo defined by the treaties. Germany demands treaty revision. This conflict is the main cause of European unrest.

Territorial problems which have arisen from the Versailles treaty include that of the so-called Polish corridor, which severs East Prussia from the body of the Reich; the question of Upper Silesia (with its valuable coal mines), and the disposal of the German colonies, which were confiscated in their entirety by the Allies and redistributed under the "mandate" system. In addition to these losses, territory was surrendered to Belgium, Denmark, Lithuania and France. Alsace-Lorraine, annexed to the Reich after 1870 and returned to France in 1918, was forever relinquished by Germany in the Locarno treaties of 1925. Even the followers of Adolf Hitler concede that this issue is dead. The Eupen-Malmédy district, turned over to Belgium, is small and unimportant, and it may eventually be returned to the Reich by purchase, Certain Danish-speaking districts, annexed by Prussia in 1864, were given back to Denmark by popular referendum, and here again there is no bitterness of feeling. Nor is the problem of the Memel area, added to Lithuania, acute or keenly contested. Germany in Europe lost altogether 27,500 square miles, but it is with the frontiers of Poland that she is today most deeply concerned.

Number 13 of Woodrow Wilson's epoch-making Fourteen Points announced that there must be a reconstituted Poland. It read: "An independent Polish State should be erected which should include the territories inhabited by indisputably Polish populations, which should be assured a free and secure access to the sea." This new Poland was to consist of the sections apportioned successively to Russia, Prussia and Austria at the close of the eighteenth century. To this there was little German objection, for Germany herself had set up an autonomous Russian Poland in 1916. The joker was in the outlet to the sea, with the purely German city of Danzig (set up as a "free" town within the Polish customs union) to serve as a Polish seaport.

The corridor connecting Poland proper with Danzig and the coast is,

roughly, seventy-five miles long and sixty miles across at its widest point. It cuts the Reich in two, and is proving to be unsound economically. Yet its population, except in Danzig, is preponderantly Polish and must remain so under the Wilsonian doctrine of self-determination. East Prussia, a Teuton island in a Slavic sea, is back to its original status—an isolated territory of the crusading Teutonic Knights, who subjugated the district in medieval times. Meanwhile, since 1919, Poland has constructed a purely Polish seaport—Gdynia—on the Baltic shore to the northwest of Danzig. This consolidates her hold on the corridor. It is probable, however, that Germany would be satisfied with a comparatively narrow strip of coast (including Danzig) to reconnect East Prussia with the bulk of the fatherland. There is no German demand for the Polish territory to the south, centring about Posen, which also belonged to Germany before 1919.

Another area in dispute between Poland and the Reich is Upper Silesia. It is a valuable mining district divided between the two countries by a somewhat curious referendum held in 1920. Though the district as a whole voted German, its area was apportioned according to the verdict of separate sections. This disrupted the coal industry, and Polish-German economic cooperation was made difficult by the animosities that were aroused. German minorities in Poland, which number 2,000,000, are under the nominal protection of the League of Nations, but they have received rough treatment, as the courageous investigations of the *Manchester Guardian* have revealed.

The German colonial empire, totaling 1,027,000 square miles, went to the Allies in the guise of "mandates." Lost were possessions in Africa and the Pacific—German East Africa, Togoland, Kamerun, German Southwest Africa, German New Guinea, German Samoa and lesser areas. While the German demand for a return of the colonial lands is limited (the Corridor demand is unlimited), Dr. Hjalmar Schacht and other prominent financial and industrial leaders are convinced that German economic welfare would be promoted by the return of at least a portion. The mandate holders—Great Britain, France, Australia, New Zealand and the South African Union—have as yet made no move in so conciliatory a direction.

Article 231 of the Versailles Treaty reads as follows: "The allied and associated governments affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the allied and associated governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies." This is the famous "war-guilt" clause of the treaty, to which all Germans so strongly object, and the moral basis for the payment of reparations by the vanquished. Germany, it is true, surrendered upon the idealistic Fourteen Points, which stipulated that the devastated regions of Belgium and Northern France must be "restored." Furthermore, "restoration" had been publicly construed by the Allies as reparation "for all damage done to the civilian population of the Allies and their property by the aggression of Germany by land, by sea and from the air."

This interpretation was reasonably clear and met with tacit German assent. But at the peace conference reparations were extended to cover a wide variety of objects not included in the amended Fourteen Points—alleged mistreatment of allied prisoners of war, military pensions and separation allowances to the families of allied soldiers, forced labor in the occupied allied territories and sundry other extras. The Germans considered themselves tricked.

Germany was then compelled to

sign a blank check for reparations, since the total amount was left indefinite until an allied commission should have conducted a careful investigation of financial and economic conditions. In 1921 Germany received the bill. The net sum totaled the amazing figure of $31,000,000,000. Germany was to pay $500,000,000 annually, of which France was to receive 52 per cent; Great Britain, 22 per cent; Italy, 10 per cent, and Belgium, 8 per cent. The rest was to go to the lesser Allies. (See "Eleven Years of Reparations," pages 291-297 of this magazine.)

Germany, able to combat a dozen hostile nations on almost equal terms during the war, was thoroughly disarmed at Versailles. The left bank of the Rhine was demilitarized. The Reich was forbidden to use conscription and the German army was limited to 100,000 men enlisted for twelve years so as to prevent the rapid creation of a trained reserve. This small force was deprived of tanks, heavy artillery, gas and military aircraft, and the famous German General Staff was dissolved. With this much-handicapped military machine, Germany today is flanked by a French army of well over 500,000 and a Polish army of 250,000. The Belgian and Czechoslovak armies, strong in themselves, may be added to that of France.

In naval armament, Germany had been the second strongest power in the world. The Versailles treaty reduced the German naval forces to six 10,000-ton battleships, six light cruisers, twelve destroyers and twelve torpedo boats, limited the personnel to 15,000 men, and prohibited submarines and a naval air force.

The Allies, however, agreed to disarm—following the German example. The treaty declared: "In order to render possible the initiation of a general limitation of the armaments of all nations, Germany undertakes strictly to observe the military, naval and air clauses which follow." Upon this treaty clause the Germans have been insistently harping, for with Allied disarmament, the German position of military inferiority would vanish. But the French fear disarmament while Germany remains in an ugly mood, forgetting that French armament is an important element in Germany's attitude. If Great Britain and the United States would guarantee France the security she demands, she would willingly disarm. But such guarantees, understandably enough, are not forthcoming.

Germany's economic losses incidental to the loss of territory were heavy. Most of her iron ore went with the cession of Alsace-Lorraine to France. Lead, zinc and coal mines were lost through the division of Upper Silesia, and 15 per cent of her agricultural products went also to Poland. The Saar coal basin was detached from Germany till 1935 and assigned to fifteen years of French exploitation. This has cost the Reich one-quarter of her coal supply. Rubber, copra and other raw products went with the colonies. The German merchant marine was in large part presented to Great Britain in compensation for ships sunk by the U-boats. German trade concessions in China, Siam, Egypt, Morocco and Liberia were forfeited.

Austria was dealt with by the treaty of St. Germain, signed in September, 1919. This treaty endorsed the revolutionary movements which had already disrupted Austria, confirming Poland's annexation of Galicia and the seizure of territory by Czechoslovakia in Bohemia and Moravia; by Italy in Trieste, Trentino and South Tyrol; and by Yugoslavia in the southern Laibach district. What was left of Austria comprised a German-speaking nucleus of 6,000,000 souls—Vienna, Salzburg and North Tyrol. This head without a body, economically almost helpless, was assigned its share of war reparations, and its army was limited to 30,000 regulars.

Although Bohemia, Galicia, Trieste and the other non-German districts were accorded self-determination, this privilege was denied to German Austria, which had voted for organic union with Germany. France was afraid of German aggrandizement. Hemmed in by hostile tariff walls, faced by hunger and financial collapse, Austria has had to stagger on alone. She is in the strange predicament of having independence forced upon her. The treaty of St. Germain decreed that "the independence of Austria is inalienable otherwise than with the consent of the Council of the League of Nations. Consequently Austria undertakes in the absence of the consent of the said Council to abstain from any act which might directly or indirectly or by any means whatever compromise her independence." Even a customs union with Germany, as proposed last Spring by the Austrian and German Governments, has met with the relentless opposition of France and Czechoslovakia, and the World Court at The Hague has pronounced against it.

Hungary was brought to justice by the Trianon treaty of June, 1920. She lost Transylvania to Rumania, Slovakia to Czechoslovakia, Croatia to Yugoslavia, while the port of Fiume went eventually to Italy. These losses amounted to two-thirds of the Hungarian territory and population. Hungary herself was left with a population of 8,000,000, an army limited to 35,000, and war reparations to shoulder. This settlement drove Hungary to Bolshevism in 1919, and subsequently to dictatorship. She is still bitterly intransigent, the pawn of Fascist Italy and the determined foe of the Little Entente of Czechoslovakia, Rumania and Yugoslavia.

Bulgaria in November, 1919, had her fate sealed by accepting the Neuilly treaty. She received, on the whole, lenient treatment. To Yugoslavia she lost a strategic mountain strip, and to Greece went western Thrace, which was Bulgaria's coastline on the Aegean. Hence Bulgarian transit to the sea (like German transit to East Prussia) must proceed through alien and unfriendly territory. The Bulgarian army was limited to 20,000 men, and the people received their burden of reparations.

Italy, though on the winning side in the World War, has since ranged herself with the losers in demanding treaty revision. At the peace conference she came into violent conflict with Yugoslavia over the possession of Fiume and the Adriatic coast line (promised to Italy by agreement in 1915). Woodrow Wilson supported Yugoslavia and Italy withdrew temporarily from the conference. Since that time matters have been arranged, but ill feeling has persisted. Italy also expected a colonial aggrandizement, which she failed to secure, and now casts envious eyes on French Tunis, which has many Italian immigrants. France and Yugoslavia are close allies—against Italy, still embittered by Versailles.

And yet, in spite of everything, Wilson, Lloyd George, Clemenceau and Orlando were honest men with honest ideals. Clemenceau, for instance, stoutly opposed French control of the German Rhineland. The Versailles slogans were democracy and national self-determination (except for Austria). But this very idealism was perhaps their downfall. The treaty negotiators were dependent upon parliamentary majorities. The Parliaments, in turn, were dependent upon war-maddened electorates—driven to frenzy by an unchecked yellow press. The principle of nationality, perfect in conception, has set up in Central Europe uneconomic tariff barriers and a network of hatreds. The peace makers, on the whole, meant exceedingly well. Perhaps modern enlightenment, tinged with the war mania, was too much for them. Their more permanent monument is the League of Nations.

Eleven Years of Reparations

By BENJAMIN H. WILLIAMS
Author of "The United States and Disarmament"

ELEVEN years after the Reparation Commission fixed the amount to be paid by Germany, a conference is scheduled to meet at Lausanne on June 13 to examine the problem of reparations once more. Its chief task will be to consider the revision of the Young Plan, a step which seems necessary to prevent further collapse of world business. Under the burden of reparations German finance has been prostrated, and this in turn has crippled German industry, one of the most important elements in the world's economic system.

The Hoover moratorium will end on July 1, and unless action has been taken by the powers the whole weight of reparations again will be thrown upon Germany. Already the government of the Reich has declared that it cannot resume payment; in that case, the moratorium provisions of the Young Plan must be invoked or the reparations agreement broken. In the latter event the consequences would be so serious that the Allied nations would, in their own interests, have to consider the extension of the Hoover moratorium or the revision of the Young Plan.

Since the signing of the Treaty of Versailles, the history of reparations has been one of diminishing claims upon Germany. The original demand that Germany should shoulder the enormous cost of the war has been gradually modified before merciless economic forces that have little respect for nationalistic prejudices. Nevertheless, war psychology has persisted in preventing any rational settlement of the question. Two groups of experts have sought a disinterested and objective solution. In each instance, scientific examination failed; the experts were compelled to adopt a political course and to steer somewhere between the stern demands of the French and the minimum relief necessary to save Germany from ruin. Forced to bow before the public opinion of the Allied nations, the experts in each instance have been able only to temporize. And thus, thirteen years after the signing of the treaty of peace, the problem of reparations remains unsettled.

By the Treaty of Versailles, Germany agreed to pay for all damage done to the civilian populations of the Allies. Ten kinds of reparable damages were enumerated; these included not only destruction of property from bombardment and loss to Allied citizens as a result of deportation, but also pensions to Allied sailors and soldiers and allowances to their dependents. In 1919 the estimates of the sums that Germany should pay were far beyond any practical possibility. French calculations ran as high as $200,000,000,000—a sum several times greater than the national wealth of Germany; American delegates placed the amount at a much lower figure, at about $25,000,000,000. The difficulty of transferring these payments out of Germany was not perceived when such sums were mentioned. In order not to disappoint the people of France and Great Britain, who had been led to expect immense reparation payments, the peacemakers avoided specifying the amount that Germany was to pay.

Its determination was assigned to the specially created Reparation Commission.

On April 27, 1921, almost two years after the signing of the treaty, the Reparation Commission fixed the figure to be paid at 132,000,000,000 gold marks, or about $31,000,000,000. The commission's plan for payment called for the ultimate issuance of three series of bonds upon which Germany was required to pay interest and amortization charges. The initial payments amounted to about $476,000,000 per year plus a sum equal to 26 per cent of the amount of German exports. Deliveries in kind were arranged for. Germany speedily fell behind in the payments and sought a moratorium. The French claimed that the Germans had deliberately tried to make payment impossible by inflating the currency and by sending capital from the country. In December, 1922, and January, 1923, the Reparation Commission decided that Germany was in default in deliveries of timber and coal. French troops thereupon occupied the region of the Ruhr.

The Ruhr invasion eventually produced a greater readiness on the part of Germany to attempt to make the heavy payments required, but the immediate effect upon the general economic conditions was unfavorable. The British Government, embittered by the damage done to the important German market, protested to France. French deliveries of coal from the Ruhr declined drastically. At the same time, but for not wholly related reasons, French finance became unstable; the Ruhr invasion only made matters worse. During 1923 the value of the franc fell from 7.45 cents to 5.12 cents and as a result the savings of millions of thrifty French people dwindled away.

Coincident with the default of Germany, a movement was started to re-examine the reparations question and to determine scientifically the sums which Germany could pay. Charles E. Hughes, the American Secretary of State, called for such an examination in December, 1922; the idea received support in Great Britain, but at first was strenuously opposed by France. The instability of the franc, however, did much to bring the French Government to agree to the proposal; and it is probable that American loans to support the franc were granted eventually on condition that France would accept the findings of the committees of experts. In November, 1923, the Reparation Commission moved to carry the suggestion into effect. Two committees were created; the first was authorized to study the means of balancing the German budget and of stabilizing the currency. Presumably the committee was thus empowered to go to the bottom of the German financial difficulties. The second committee was created to consider a way for estimating the amount of capital exported from Germany, and to determine how it might be brought back. Two American members, Charles G. Dawes and Owen D. Young, were unofficially appointed to the first committee. Henry M. Robinson, another American, was a member of the second. As Mr. Dawes was elected chairman of the first committee, his name was popularly attached to the report later adopted by the experts.

The Dawes Plan was agreed to by the committee in April, 1924, and four months later was accepted by the governments concerned. In order that the German budget might be stabilized and the flight of German capital stopped, the plan called for the establishment of a bank of issue and the fixing of a stable currency supported by adequate reserves. The total amount of reparations was not fixed, although annual payments, which were presumed to be within Germany's capacity to meet, were stated. These were to be paid for an indefinite period, beginning with 1,000,000,000 gold marks ($238,000,000) in the first year and increas-

ing gradually until by 1928, the fifth year, a maximum annual payment of 2,500,000,000 marks ($595,000,000) would be reached. The scheme for raising these sums was complicated. A foreign loan of about $190,500,000 was floated; mortgages were placed upon German railways and industries to secure the annual payment of an additional $190,500,000; $107,000,000 was to be obtained from a transport tax; while half the amount to be paid in the years following 1928 was to be derived from the German budget. These sums were to be paid into the bank of issue to the credit of the Agent General for Reparation Payments. In transferring these huge sums from Germany to the Allied creditors, the Agent General was to act under the direction of a transfer committee of six members, of which the Agent General was chairman.

Apparently the experts felt that they had placed reparations upon a sound basis; in any case the first committee stated in its report: "We have approached our task as business men anxious to obtain effective results. We have been concerned with the technical and not the political aspects of the problem presented to us." But the Dawes committee should have known at the time that Germany was unable to carry such a load out of her own resources. Only by borrowing heavily abroad was the Reich able to make the required annual payments. In 1927, John Maynard Keynes, one of the most clear-minded economists of the post-war period, prophesied that "the Dawes Plan will break down according to schedule." The new arrangement, however, did satisfy public sentiment for the time being. Large loans were made to Germany, principally by the United States, Great Britain, Holland and Switzerland. It is estimated that between 1924 and 1930 from $6,000,000,000 to $7,500,000,000 of foreign capital found its way into Germany. These loans, however, created large foreign interests in the Reich and made the problem of possible financial break-down from the burden of reparations a much more serious international matter.

The Dawes Plan was admittedly not a permanent settlement of the problem of reparations. The Germans were dissatisfied with an arrangement which did not fix a definite obligation and which depended for its enforcement upon the presence in Germany of foreign officials such as the Agent General for Reparation Payments. As the year for what was to be the regular payment of $595,000,000 drew near, the demand for a new plan became stronger. In September, 1928, the representatives of Germany, Belgium, France, Great Britain, Italy and Japan agreed upon the need for a "complete and definite settlement of the reparation problem." A new experts' committee, consisting of two delegates from each of the six powers and two from the United States, was formed to draft the settlement. The American delegates, who were unofficial in character, were Owen D. Young and J. P. Morgan. When the committee met in Paris in February, 1929, Owen D. Young was chosen chairman and gave his name to the outcome of the deliberations. The plan, completed after a four months' session, was adopted, with some revisions, by the governments concerned following meetings at The Hague in August, 1929, and January, 1930.

In the Young Plan the amount to be paid by Germany was fixed and was to be met by fifty-nine annual payments—the first one covering only seven months. These annual sums are somewhat below the maximum of $595,000,000 provided for in the Dawes Plan. The first full annual payment was fixed at 1,707,900,000 reichsmarks ($407,000,000), but gradually the amounts were to be increased to a maximum of 2,428,800,000 reichsmarks ($578,500,000) in 1965-66. The average of the payments for the first thirty-seven years

is 2,050,600,000 reichsmarks ($488,-000,000). After the first thirty-seven years the payments decline considerably and the average for the last twenty-two years is slightly more than 1,500,000,000 reichsmarks ($357,000,000).

The Young Plan correlated the reparations question with that of the interallied debts. While the United States Government has officially stated that there is no connection between these two problems, it is frequently admitted, even in America, that actually the two matters are inseparable. The relationship is tacitly acknowledged throughout the provisions of the Young Plan. For instance, the term of payments, running until 1987-88, coincides with the unexpired periods of the payment of war debts to the United States under the later debt settlements. The British and Polish debts are to be paid off by 1984, but the funding agreements with France, Italy, Belgium, Yugoslavia and Rumania continue until 1987. The "out-payments" of the Allied governments on account of their war debts are definitely provided for in the amounts to be paid by Germany, and, further, it is stated in a concurrent memorandum that if the payments on account of war debts shall be reduced, Germany shall receive the benefit of the reduction. During the first thirty-seven years two-thirds of the benefit will be passed on to Germany and during the last twenty-two years the whole amount of the reduction will be applied to reducing reparations.

Germany is thus the source for payment of the war debts of the Allies. During the first thirty-seven years the German payments will exceed by a considerable margin the amount of the "out-payments" of the Allies for war debts, but during the last twenty-two years the German payments are intended to cover approximately the war debts. In this way the Allied "out-payments" on account of war debts for fifty-nine years plus a reparation burden during the first thirty-seven years constitute the German obligations.

According to the Young Plan, part of the annuities, ranging from about $167,000,000 in 1930-31 to $146,000,-000 in 1950-51 and thereafter, is nonpostponable. The attempt to make certain the payment of these sums was intended to pave the way for the funding of a portion of the German obligations. The annuities other than those just mentioned may be postponed for two years on notice by Germany.

The experts planned that a large amount of the German reparations should be "mobilized" or converted into bonds and sold to private investors. The mobilized portion of the reparations would be taken out of politics and once these obligations were sold upon the exchanges of the world a default would inflict serious injury to German credit. It was agreed to issue $300,000,000 worth of bonds, and for this purpose bonds of a nominal value of $350,888,000, bearing interest at 5½ per cent, were sold in 1930. Two-thirds of the issue represented the capitalization of a portion of the unconditional annuities. The American share was $98,250,000, the French $98,535,000 and the British $58,298,720. The remainder was distributed between Holland, Switzerland, Sweden, Germany, Italy and Belgium. The disastrous fall in price of these bonds has demonstrated the difficulty of further attempts to commercialize reparations.

The Young Plan abolished the functions of the Agent General for Reparation Payments, the Transfer Committee and other officials who under the Dawes Plan exercised a certain supervision over German revenues. In their place a new and important world institution, the Bank for International Settlements, was created to handle the transfer of German payments to the creditor nations. In order to appease German sentiment and to secure German adherence to the plan, the evacua-

tion of the Rhine was agreed upon, and, accordingly, on June 30, 1930, the last of the French army of occupation moved out of the German Rhineland.

The Young Plan, which was to have been the final and definitive settlement of the reparations question, was devised at an inauspicious time. The shadow of the economic depression was already cast over the world. Loans and credits, which were essential to the carrying out of the plan, were difficult to obtain. German borrowing decreased in 1930; in 1931 it stopped short and capital began an alarming flight from the Reich. One of the conditions which led to severe financial distress in 1931 was the large amount of short-term foreign money in Germany. Out of about $6,000,000,000 to $7,500,000,000 of foreign investments in Germany at the beginning of 1931, about $2,500,000,000 to $3,500,000,000 were in short-term credits which were subject to withdrawal. As the events of 1931 demonstrated, this was an exceedingly vulnerable point in the German financial system.

Germany was one of the first nations to feel the severity of the depression. Her highly industrialized economic life was sensitive to business changes. German industrial production declined 15 per cent in 1930 and 35 per cent in 1931. At the end of 1931 more than 5,000,000 workers out of a total of 21,000,000 were unemployed and the number has since reached 6,000,000. For several years both the Reich and the German States had shown budget deficits. As long as these could be met by borrowing, they were carried from year to year without causing any alarm, but when loans were floated with difficulty the problem of the deficit became acute. Increased taxation failed to balance the budget, because, with the industrial depression, revenues actually diminished. For the year ended March 31, 1931, the Reich budget showed a deficit of almost $300,000,000.

Meanwhile, the financial strain was beginning to show in the depletion of the reserves of the Reichsbank. At the beginning of 1931 the reserves had stood at $640,000,000. By July 31 they had fallen to $384,000,000. On Dec. 15, 1931, they had fallen further to $277,000,000, a sum which provided only a 25.6 per cent coverage of the note issue. The legal minimum of reserves, which had been 40 per cent, was reduced to 30 per cent by the general board of the bank on July 15. The Germans, remembering the painful depreciation of the currency after the war, have had little relish for another experience of that sort, and have made strenuous efforts to support the mark.

Growing bitterness in Germany because of economic suffering has stimulated nationalistic feeling. In the election of September, 1930, the Hitlerites increased their representation in the Reichstag from twelve to 107. In March, 1931, the project for an Austro-German customs union was announced. These developments tended to create resentment in France and caused the calling of short-term loans and the shutting off of further credits by French financiers. In May the Creditanstalt, the principal bank in Austria, closed its doors. In June a run on the credit of the Reich began. By the end of July $690,000,000 of short-term credits had been withdrawn. Runs on German banks followed and several conspicuous failures resulted.

The threatened financial collapse of Germany created genuine alarm in international banking circles. Early in June Chancellor Bruening and Foreign Minister Curtius conferred in England with Prime Minister MacDonald and other British officials. On June 7 a joint statement was issued from this group stressing the need of international cooperation to stem the crisis. American financiers, with more than $2,000,000,000 invested in Germany, were likewise greatly concerned.

President Hoover, on June 21, proposed a moratorium for one year upon all reparation and intergovernmental debt payments. The French Government was not willing to accept the plan unconditionally and made counter suggestions that the non-postponable portions of the reparations should be paid. They were willing that the French share, with the exception of certain amounts, should be placed at the disposal of the Bank for International Settlements. Although the French reply was unsatisfactory, an agreement was reached, after further negotiation, that Germany should be relieved of the reparations, except that she must make the non-postponable payments to the Bank for International Settlements, which could invest the money in guaranteed German railway bonds. This arrangement was agreed to on July 6 and the moratorium went into effect as of July 1, 1931. All the suspended payments under this agreement are to bear interest and to be repaid in ten annual instalments, beginning with July 1, 1933.

Meanwhile, steps had been taken in and outside Germany to stop the flight of capital. An emergency decree by the German Government on June 6 increased taxes and reduced expenditures. From that time on the government issued a growing number of decrees to control banking, to prevent the export of gold, and to maintain the value of the mark. Foreign financiers and the Bank for International Settlements aided. A credit of $100,000,000 was granted to the Reichsbank on June 25 by the Bank for International Settlements, the Federal Reserve Bank of New York, the Bank of England and the Bank of France. In August a conference of private financiers, representing German banks and German creditors in the United States, Great Britain, France, Holland and Switzerland, reached a standstill agreement for the purpose of keeping short-term credits in Germany. This agreement, which expired on Feb. 29, 1932, has, subject to certain exceptions, been renewed for another year.

By dint of drastic control in Germany and by the aid of international financiers, the demoralization of German finance has been temporarily halted. What further action should be taken before July 1 is a matter of debate. The French Government still rests its policy upon the Young Plan. Those who believe that the annuities under this plan can be continued point out that Germany recently has had a favorable balance of trade which will permit payments from her own resources. From 1924 to 1929, inclusive, Germany had in general an excess of imports over exports which totaled for the period more than $1,500,000,000. In 1930 there was an export balance of about $400,000,000. In 1931 the surplus, including services and deliveries in kind, increased to about $715,000,000. These recent surpluses, however, have resulted from a drastic reduction of imports rather than from an increase of exports. The purchasing power of the nation has been reduced and Germany, accordingly, has been forced to draw heavily upon stocks of materials already in the country. Furthermore, the prices of materials imported have fallen lower, temporarily, than the prices of manufactured goods exported. Even in 1931 the export surplus was not sufficient to take care of regular reparation payments and foreign debt charges, falling probably $100,000,000 short of the required figure. Such a large surplus of exports, moreover, cannot be expected to continue permanently and it is almost impossible that Germany will be able to meet her foreign payments out of the trade balance unless her creditors are willing to make tariff reductions in her favor.

The statement has been repeatedly made on high authority that there must be another change in the amount of both reparations and war

debts. In August, 1931, the Bank for International Settlements set up what became known as the Wiggin committee—a body including banking representatives from ten nations—to inquire into the needs of Germany and to study the possibility of converting German short-term credits into long-term loans. The committee reported that under present conditions no new long-term loans could be made to Germany. It stated, by inference at least, that the present war debts and reparations are not conducive to confidence or to a restoration of European financial stability. The committee urged upon the governments that they lose no time in taking the necessary measures to remedy the situation.

On Oct. 25, at the time of the visit of M. Laval to Washington, the French Premier and President Hoover declared in a joint statement that some agreement upon intergovernmental obligations might be necessary for the period of the business depression. A special advisory committee, called, in accordance with the provisions of the Young Plan, by the Bank for International Settlements upon the request of Germany, reported in December, 1931, that Germany would be justified in declaring a moratorium in 1932 on the non-postponable portion of reparations. The committee recommended that an adjustment of all intergovernmental debts—reparations and other war debts—to the existing troubled situation of the world is the only lasting step capable of re-establishing confidence. On Jan. 9 Chancellor Bruening stated that Germany could not continue the payment of reparation burdens upon the expiration of the Hoover moratorium, and this stand was reaffirmed by Finance Minister Dietrich on April 23, when he declared at a party mass meeting: "The moratorium ends on July 1, but Germany will not pay more after that date." The British budget for 1932-33, which was presented to Parliament in April, made no provision for debt payments to the United States and listed no items of revenue from reparations or debt payments to Great Britain. In January, 1932, the British Government invited the interested governments to meet for the further discussion of reparations on Jan. 25. This conference, because of the extremely nationalistic attitude of Germany, France and the United States, was finally postponed until June and is the next important event in the evolution of the reparations problem.

The Menace of the Teachers' College

By JOHN ROBERT MOORE
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IT is natural that the American public should be deeply concerned about the management of the schools. One-third of all taxes are spent for education—this concerns the taxpayer; 30,000,000 persons are attending school or college in the United States—this concerns all who look to the future of national thought and character.

Teachers used to boast that their occupation was not a trade, not even an ordinary profession, but a vocation. A man entered it because of a deep interest in learning and in mankind. But the spirit of big business has been introduced by the teachers' colleges until education is too often thought of as a source of profit to its promoters, a thing to be exploited by the methods of mass production. By cynics the men who direct the training of teachers are sometimes called "educational racketeers." By the soberest critics the system is sometimes called "the teacher-training trust."

The system is called a trust because it has a monopoly in the training of teachers. Under laws which have been pushed through State Legislatures by interested parties only those teachers who conform to certain arbitrary requirements may teach in the public schools. Any one who glances at the statutes of the different States must be struck by the remarkable similarity of all laws concerning education and especially those controlling the certification of teachers. The various colleges and universities throughout the country are still largely independent of the trust, but elementary and secondary schools are more and more being brought under its supervision—or are being forced out of existence. A candidate for a position on a college or university faculty is still most frequently chosen for his intellectual attainments, his personality, his ability as a teacher. In the public schools, however, the prime consideration is whether or not the candidate has satisfied legal requirements and has won a teacher's license. American public schools have become for the teachers a closed shop.

The situation is a relatively new one. Before 1900 not more than half a dozen States barred admittedly excellent teachers because they lacked two-year teacher-training certificates. In 1910 a Harvard professor or a United States Commissioner of Education would still have been eligible to teach in the high schools of over twenty States after taking a few elementary courses labeled "education" or perhaps a round of examinations in pedagogy, physiology and civil government. Even as late as 1911 the standard text-book on American high schools held that the best high schools required college-trained men as teachers and that "the academic college course is now and always has been regarded as more important than any sort of purely pedagogical training."

Since 1911, however, emphasis has been shifted from the prospective teacher's mental power and cultural background to his ability to satisfy

legal requirements for certification. Dr. R. A. Millikan, Nobel Prize winner and one of the world's great teachers, has remarked in this connection: "My comment is that I myself couldn't break into, as I did forty years ago, the teaching of secondary school physics, because our States, many of them, have passed laws under the stimulus of teachers' college labor unions, which are actually working * * * to prevent the ablest and best-trained of our younger minds from getting into secondary school teaching at all."

What has brought about the legislation which insists that public school teachers conform to a certain specified pattern? In earlier days there was no political regulation. The first high school established in Boston specified for its teachers merely that "they shall have been regularly educated at some university." But with the passage of years and the nation-wide installation of free primary and secondary schools there came a great need for quickly and economically trained teachers.

In 1839 the first State normal school was opened. Others followed in rapid succession with the avowed purpose of training teachers for the schools. The idea came from Prussia, with its corollary of a school system rigidly controlled by the State, but the essential Prussian characteristics of scholarly ideals and a broad general training were unfortunately omitted from the scheme. Naturally enough, those in charge of normal schools and other teacher-training institutions took great pains to see that the organizations which they headed kept expanding, and from that idea to the licensing of only those teachers trained in their methods was but a short step. By 1890 the elementary schools were generally under control of the normal schools in regard to curricula, methods and teachers.

About this time there began a rapid and carefully devised expansion among the more advanced normal schools and teachers' colleges, especially after the incorporation in 1898 of Teachers College as a part of Columbia University. More positions had to be found for the increasing numbers of "union" teachers. The high schools, which had thus far grown up independently, now became the particular object of attack through State licensing laws. Today even private schools, although not affected directly by State laws, are often actually controlled through their need to be listed as "accredited" institutions, and one famous preparatory school, which hitherto had shown a preference for Rhodes Scholars and other men who had studied abroad, recently accepted the principle of State certification for its faculty.

This constant elimination of teachers of all other classes in favor of "licensed" teachers is consistently referred to as a process of "raising the standards." But in what sense is the claim justified? The answer is implicit in the following facts:

In reply to questionnaires addressed to four large sectional or national groups of high school teachers of English, two groups made no mention whatever of their previous teacher-training as an aid in their own class-room work. The other groups rated it as low as third and fourth in value as compared with their other preparatory work. One of the groups pointed out that the personality of the teacher is more important than the content of the course. It is highly questionable, however, whether the teacher-training trust develops the personality of its product.

A recent study of the interests of 1,080 students in fifteen teachers' colleges shows that very few read the higher-class magazines, while almost half are entirely indifferent to any of the fine arts and some are actually hostile to them. Less than 25 per cent read as much as one book a month; when they do read, their favorite

authors are Temple Bailey and Gene Stratton Porter (together with Charles Dickens). Shakespeare is halfway down a list of forty-two names, tied with Margaret Pedler and behind Kathleen Norris, Zane Grey, James Oliver Curwood, Harold Bell Wright and many others. The students approaching graduation showed no higher intellectual interests than the freshmen.

How can these people, as teachers, convey to growing boys and girls our great heritage of literature and art? Teachers' colleges today are so concerned with the means of teaching that the end is forgotten. No courses in pedagogy will supplant a thorough training in a subject that is to be taught. According to one prominent educational leader, a person who has had a course in the methods of teaching can give instructions in violin playing, even if he cannot play a note himself. One thinks of the pupils of Leopold Auer, and asks himself what violinists the teacher-training system has ever produced.

The growth of the teachers' colleges is usually justified as an effort to supply the teachers required by the growing demand for popular education. But is not this demand in some instances the result of efforts on the part of professional educators rather than an open expression of a craving for knowledge on the part of the public? Every chance for expansion has been seized, every obstacle to popular appeal has been evaded. When languages and certain sciences were found too difficult for many pupils, the courses were subordinated or abolished on the theory that acquired abilities are not "transferred" from one subject to another. Professor David Snedden of Teachers College would evade the unfortunate fact that many children fail to pass their courses in literature by giving up literature in the schools—along with physics and chemistry—for all but the upper 10 or 20 per cent, substituting for the majority of the pupils a study of the *Saturday Evening Post* and the newspapers.

It is only fair to say that some scientific studies of educational psychology have great merit—when not exploited for the sake of expansion. And it is true that there are signs of considerable disagreement among some of the ablest men in the teachers' colleges. Professor W. C. Bagley attributes the decline of the schools as a moral and intellectual force to their effort to secure popular appeal at any cost. Professor E. L. Thorndike fears now that compulsory school laws have often kept the dullards in school and left the best pupils free to drop out to work. The principal of the Horace Mann High School in New York City contends that the proposed suppression of all private schools would, fortunately or unfortunately, result in educational conditions like those of Soviet Russia.

But no such individual views have affected legislation, nor have they modified the major operations of the system. An American child is compelled to attend school until he is 14, 16, or even 18, and there is considerable agitation for a compulsory school age limit of 20 years. On either side of established school ages the sappers are at work for additional expansion. According to the director of the Iowa Child Welfare Research Station, "education for parents beyond the 'school age' and for children below the age of 5 may be considered the two outstanding movements in the educational field today." Since the enunciation of Professor E. L. Thorndike's theory that full-grown adults continue to learn rapidly into old age, it is no Wellsian fantasy to suppose that we may have the entire population of the United States attending school—or teaching—or teaching teachers—or conducting researches into the teaching of teachers. All this, of course, if the public treasury can stagger along under the burden.

The total expenditure for public schools increased eightfold between 1903 and 1928, and now education is the largest industry in the United States. Over $5,000,000,000 is invested in school buildings and equipment, while $3,200,000,000 is expended annually for elementary, secondary and higher schools. In 1932 the budget of New York City for public school purposes alone is set at $212,000,000. In West Virginia in 1931, said the State Superintendent of Schools, only two or three districts out of 397 could support the minimum State program. The cost of public schools is the largest single cause of direct taxation in every State, and the issuance of billions of dollars worth of bonds for school buildings has made many communities virtually insolvent.

The more influential men in the teachers' colleges and schools of education may be called the board of directors of the largest corporation in the world. The system which they represent operates through the most highly protective laws on the statute books—compulsory school age, tax levies for school purposes, State-adopted curricula for public schools, and highly technical qualifications for teachers' licenses. Yet the corporation is not an ordinary business institution, governed by laws of supply and demand; it is based on a philosophy and is backed by political action.

Thus far the current depression has delayed teachers' pay checks here and there and has caused cuts in salaries in nearly half the cities in the United States, but it has had little direct effect otherwise. There are too many available teachers—thousands in almost every State. The teacher-training trust therefore proposes certain remedies, it is to be suspected, more for the purpose of increasing its own prestige than anything else. Individuals or boards of high authority have advocated the reduction of excess teachers by eliminating all, of whatever experience or general qualifications, who have not received at least two years' training in a State-approved teacher-training school. Another suggestion would put idle teachers to work as coaches for backward pupils, while a third would force all married women, even though properly accredited, out of their positions so that new teachers might find a place. Finally, it has been proposed that two years be added to the required course in teacher-training.

This last scheme would correct the overproduction of certified teachers by doubling the demand for the services of the teacher-trainers, just as if a factory were to curtail its production by working overtime. The method could be extended indefinitely, so that the greater the excess of certified teachers the longer would become the period of teacher-training. In none of these suggestions, however, is there any hint that we should return to a qualitative selection of teachers for the schools.

To those who are interested in liberal education the problems of taxation and of employment are less immediate than the question of intrinsic value. It is not improbable that the cultural sterility of the United States is at least in part attributable to the desiccating process called training to which our public school teachers must submit in order to secure licenses.

The graduate schools of universities, with their aim of advancing knowledge, and the liberal arts colleges, with their aim of enriching the student's capacity for life, have no limit to their growth except the measure of their value to mankind. But now that teaching is established as one of the most overcrowded of professions, what is to be said of the teachers' colleges, with their emphasis upon "method" rather than upon "matter," their worship of mass production rather than the shaping of the individual intellect? Institutions "whose sole function is the preparation of teachers for the schools" cannot justify a continued policy of expansion.

China's Loyalty to Ancient Ways

By WALTER H. MALLORY

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IS China succumbing to Western influence? We are told by newspaper correspondents, by travelers and, most enthusiastically, by the Chinese who are able to speak to us in our own tongue, that she is, that the age-old Chinese civilization is at last showing fissures. Since the dawn of recorded history China has been able to preserve a social and cultural unity which has withstood the blandishments of every other civilization. For centuries the West has been beating against the doors of Chinese aloofness with ever-increasing insistence. It has been met by all the force and skill which an antiquated form of organization has been able to summon. China has fought five unsuccessful wars to preserve her insularity, but she has finally recognized that even war is powerless to stem the tide.

It should not be believed that these changes have been made overnight. The story is dramatic, but it has been overdramatized, and the notion in the West that China is rushing headlong into a new era has gained wide currency. This belief is probably due to three factors. Most of the visible change is occurring in the treaty ports, the only portion of the country which most foreign travelers or business men see and that portion of the country in which the correspondents of our papers reside. Then, organizations such as the Institute of Pacific Relations and the Institute of Politics at Williamstown spread world-wide the discussions and reports which form the basis of their work, and these are naturally devoted more to the changes in progress or those contemplated than to the situation in China as it is today. Finally, the Chinese with whom Westerners come into contact and who thus serve as interpreters of their country are with few exceptions products of Western education. Many of these young men know the West better than they do China. During their formative years they were away from their homes, some in other countries, and the changes which they sense are sometimes wrought in their own souls.

Such young men often state that the family system which from time immemorial has been the social and economic unit in China "has definitely broken up and can never be restored." What gives such color to their thought is perhaps their own experience, for having lived for years apart from their families they find that the old restraints have fallen away and the old ties loosened. Their friends, also trained in the West, have had similar experiences. But China is a vast country. A quarter of the earth's population lives there. The experience of a few thousand Occidentalized students can hardly be a reflection or a measure of the feeling of the whole people.

Changes are taking place in the United States. Yet no one supposes that they are more than normal to the present era. One would even hesitate to suggest that the Russian has fundamentally altered his characteristics because of the adoption of Bol-

shevism by those in control at Moscow. But it is commonly—and erroneously—assumed that the Chinese are undergoing some subtle racial metamorphosis because they have been temporarily joggled out of the old rut by the West.

The introduction of machinery and the beginnings of industrialization, elements from which economic and social change most easily evolves, are often cited in support of the theory that China is rapidly taking on Western forms. But if one considers the figures it becomes apparent that her industrial organization at the present time is comparatively unimportant. In the *Annual Survey of American Foreign Relations* for 1930 the following table appears:

	Population.	Factory Employes.	P. C. of Population.
United States	120,000,000	9,724,000	8.0
Japan	60,000,000	1,875,000	5.0
China	435,000,000	413,000	0.1

The paucity and unreliability of statistics in China should cause one to treat this comparison only as a general index of the situation. It should be also noted that the number of factory employes cited does not include Chinese who work in foreign-owned plants in the treaty ports. Factory laborers are found only in the largest cities, usually the seaports, and probably more than a third of the total are employed in and around Shanghai. Three quarters of China's industrial population are employed in the manufacture of the cotton and silk materials out of which clothes are made. In 1928 there were seventy-four Chinese cotton mills with 2,087,506 spindles and 13,907 looms. It can therefore readily be seen that the influence of industrialization on Chinese life is at present extremely small. It is growing, of course, but not at a rapid rate.

The attempt to spread Western influence often meets obstacles which cannot be conquered by mere mechanical means. When railroads were being built over the great plains of China the question of what to do with the grave mounds which dotted the territory was a serious one. The railway had to run straight; so countless graves had to be moved, a profanation which in China is no light matter and which met in some cases with violent resistance. With the building of motor roads today engineers encounter the same difficulties which confronted the railroad construction of sixty years ago—an active resentment persists after all these years.

In the case of the river steamers the vested interests of the junkmen have caused trouble. For tens of centuries transportation on the Yangtse River, for instance, has been by junk. To take a load up the rapids required weeks. The river steamers with their regular and rapid schedules introduced competition which the junkmen could not meet. They were well organized and they fought in every possible way—and are still doing so. But this reaction is not peculiar to Chinese, nor are their home craftsmen alone averse to the introduction of the machine. The only difference is that in China feeling runs higher and resistance to change is more stubborn. Eventually all these institutions which are inseparably linked with modern organization may establish themselves. But they will not look the same nor will they be the same there as they are in the West. Every Chinese is critically aware of what is going on, and he is more likely to make them conform to their new environment than to be conquered by them himself.

The per capita value of the imports of China in 1929 was in the neighborhood of $2. Of these imports more than half were composed of raw materials, foodstuffs, metals and living animals. This means that less than a dollar's worth of foreign manufactured goods was taken by each Chinese. Yet in the same year the Japanese each bought foreign goods to a value of $17. The Japanese, however, have adopted the forms of Western organization almost in their entirety. They have remodeled their country

along modern lines and have built up an industrial system which is now wholly Japanese in its operation. The Chinese had an opportunity to do likewise, but did not follow Japan's lead. The reason must in large measure be attributed to Chinese satisfaction with the old order.

Now, after much prodding and with the dynamic forces of Western enterprise well established within her borders, China has begun to move, but at a speed which shows little acceleration. It is an interesting fact that the stanchest supporters of economic change are youthful, and that the urgency of the call for change decreases in direct proportion with the age of the leader. Yet there are many men of Western training who have reached mature years. Why are not more of them in the van? If the activities of the individual foreign-trained Chinese could be followed year after year it would no doubt be found that there is a gradual settling back into the more congenial rut of Oriental ways.

The history of Chinese attempts to organize their economic order in the Western way yields very few examples of success. They have formed corporations to acquire and operate steamship lines, to develop iron and steel works, to engage in manufacturing and trade, but very few of these companies have been successful. Corporate action, responsibility of individual company officials to a group of stockholders, the necessity of doing business by written contract rather than by verbal agreement—all these are alien to Chinese ways, and some of them run counter to established codes. One of the greatest difficulties in a corporate form of organization arises from the dual responsibility which a director or officer feels, on the one side to the company, on the other to relatives who seek his influence to obtain positions or favors. Nepotism has been the cause of the failure of many promising enterprises. The family system is still very far from disintegration. One is reminded of one of the objections of many Chinese to the present National Government at Nanking, which is critically spoken of as the "Soong Dynasty." A newspaper account of the funeral of Madam Soong, recently held in Shanghai, stated that "behind the hearse conveying the body of Mrs. Soong there walked her son-in-law, President Chiang Kai-shek; her eldest son, who is Minister of Finance; two other sons who occupy high posts at Nanking; her eldest daughter, who is the widow of Sun Yat-sen, founder of the Chinese Republic; her second daughter, who is wife of the Minister of Industry at Nanking, and her youngest daughter, who is wife of President Chiang Kai-shek."

One is told that the principal deterrent to a more rapid modernization of China is the lack of a stable and effective central government. That is undoubtedly true. But it is because the Chinese are so conservative and so unyielding to change that the effort to erect from the rotted timbers of a decayed monarchy a new republican structure has been attended by such meager success. A people so unanimously committed to change and so fired by a determination to modernize their country—as the Chinese are so often represented to be—would demand a form of political organization which would permit modern economic forces to be effective.

We may admit that China is said to be making a valiant effort to establish a democratic form of government. But it would be better to say that the attempt is being made by a group of leaders with Western education. They are not having an easy time of it. Faced on the one side by agitators who have succumbed to Russian Communist theories, and on the other by reactionary military leaders who demand local autonomy for the territory over which their personal armies hold sway, the Nationalist Government at Nanking has been involved in constant

strife. Coupled with this is the recent defection of the South and the establishment of a rival government at Canton. All this turmoil and confusion can be laid to the introduction into China of Western political theories which the conservative natives have been unwilling thus far to accept.

In the old days of non-intercourse the Son of Heaven sat upon his throne and viewed the "barbarian" world with disdain. The members of the last dynasty which ruled China, like most others that had gone before, originally were aliens who swooped down from the north and conquered the Middle Kingdom. But like all the others they were slowly but surely absorbed into the body of Chinese cultural solidarity. Until the latter part of the nineteenth century, when Western pressure began to be regarded as a menace, they were as Chinese as those they ruled. All the aversions to change and all the satisfactions with the Confucian concept of social and political organization were as firmly shared by the Manchus as by the Chinese. Thus the dynasty sought to shield the country from alien influences and engaged in several disastrous wars to gain that end. Meanwhile, there grew up in the court a faction which became convinced that only by adopting Western ways was there salvation for the country. The Empress Dowager, who ruled, could not be induced to accept this view, and the Boxer uprising in 1900 represented a desperate last stand against Occidental ideas. She would drive the foreigners into the sea, and, having proved that they were vulnerable, she would then be able to convince the modern element at court that the old ways were best. But Western organization was superior for that kind of struggle, and would not be stayed. From that date on, the disintegration of the old régime proceeded with ever-increasing speed until the revolution in 1911, which in theory brought in a new political order.

The Chinese, however, have not lost any of their individualism in spite of the change in the form of political organization which has come about. Their integration is spiritual rather than political. China has often been called a civilization and not a nation. It is a group of families who do not easily accept government from above. It can therefore be imagined how difficult it is for the authorities in the capital to exercise the sway over the people which is exerted by governments in the West.

The history of the past twenty years is a story of baffled leadership. The leaders want a democratic government, but the people on which a democracy must depend for its life want only to be left alone as in the old days. Government to the Chinese is an institution which exists afar off in the capital city. It is not a matter for the average man to concern himself about. The life of the people runs along smoothly because Confucian concepts tested by centuries of experience provide for all the ordinary exigencies of social and economic intercourse. The people for the most part are not governed by written codes of law; business is not done by contract; and in case of unusual emergency, the District Magistrate can be called upon to arbitrate. Thus the central government exists in the public mind only to deal with problems which are very remote from the interest of the individual citizen, such as foreign affairs. Perhaps that is why support is more easily obtainable for a boycott against foreign goods than for the program of the Kuomintang, the leading political party in China. Distrust of the foreigner and all his ways, and the belief that most of the ills of the country are due to him and his peculiar practices, are widespread. The introduction of new things has threatened and continues to threaten the livelihood of the people, and so, if the troubles of the country are due to the for-

igner and his ways, why try to find cure by accepting them? What the eople do not perhaps see is that the ifficulty is not inherent in the new ays but arises from their own lack : adaptibility in making them work.

The recent social changes in China . the treaty ports and near-by areas ave seemed to be important. In the iterior the beginnings of change are ccasionally to be seen. In centres hich have long been subject to forgn influence, for instance, there is npairment of the strength of the mily as the economic and social unit. his is less discernible in inland cities id in the rural districts no sign of iis drift has yet appeared. There the ast majority of China's millions live ieir lives in the traditional way, reote from the dynamic forces which iape the world, and not interested in iem. But in the great centres of pulation near the coast, economic id political changes are in constant nflict with the family system. The troduction of fixed codes of law and "democratic" principles of adminisation would weaken the political nctions of the old order, and the delopment of the factory wh.ch would place native industries would lessen ie economic benefits of the family.

Wherever family ties have been osened, there is a freeing of the individual, and if this continues and bemes general it will constitute iina's greatest social problem. These berated men and women are no nger restrained by the traditional cial and moral ties which imposed finite rights and duties on them; ey are now free agents who have not cepted the standards of the West it seek to evolve a new code which ll be more congenial to their racial quirements. It is this small group, ost of them young people, which is lling the world how fundamentally iina has changed. They have reunced the dictates of their elders. aey are free from family bondage, om parental despotism and from established social conventions. But they have found no new code yet and their elders are looking on with a critical eye, believing firmly that they will return in the end to a way of life which approximates the old order.

China is an enigma. She has almost constant wars; yet her people are the most peace-loving on earth. There is no country where graft and corruption are more rampant than China; yet her citizens are intrinsically as honest as any. China is the most conservative nation in the world; yet social and economic change is undoubtedly in progress. Indeed, one can adduce many concrete examples to show that she has thrown all her old codes and traditions overboard. But those who have lived long in intimate contact with her people suspect that the change is superficial, that it is the result of compulsion, that it has been accepted most reluctantly, and that they are determined to blend it with their time-honored customs if possible, and if not to cast it out when they are strong enough. To reject modernization would seem an idle hope unless, indeed, the machine which the West has built becomes unmanageable and we all go down in a grand crash, which is unlikely.

One of the strongest arguments for the persistence of Chinese traditionalism is the rapid growth of the new nationalism. This is nothing but the old conservatism which accepts with an ill grace the ideas and ideals of the West. The enormous support given to the nationalist cause, because of its avowed antipathy to foreign influence, is a measure of China's loyalty to her time-honored institutions. Every stanch isolationist in the United States must feel a certain kinship to this Chinese awareness of the dangers in foreign relations. While the American of such leanings does not wish to become enmeshed in European entanglements, the Chinese wish to keep clear of the whole world.

The city of Hankow, which has re-

cently undergone such disastrous floods, contains an area along the river front which was built by white men. In this foreign quarter the streets are wide and well paved, the buildings substantial; running water, sewerage, electric lights and other improvements are there to serve the people. The old wall which originally enclosed the section has been razed, and a wide avenue now marks the boundary. On one side of this street is the old foreign concession, on the other the Chinese native settlement. There stands a striking illustration of the impingement of the West on the East. But there is no merging of the two orders of society. It is a sharp cleavage. On the one hand is a well built city with order, cleanliness and comfort; across the street is a confusion of shabby one-story Chinese houses, a seething mass of humanity with all the attendant atmosphere of disorder, and the foul smell that clings to every Chinese community. For years and years these people have had the West at their doors, but they have not yielded to it. The few who have a Western education may reside or work in the foreign city. They may recognize its merits, But the vast majority prefer their own indigenous way of life.

While this is evident in those areas where Western influence stands elbow to elbow with the Chinese, it is to an even greater extent true in those communities which are removed from direct contact with foreigners. An American archaeologist once remarked, in walking along one of the principal thoroughfares of Sianfu, a community which is much more representative of conditions in China than is Hankow, that if Marco Polo were to return to that spot, he would be unable to discern any visible change from the sights and sounds which had greeted him there in 1275. He would see the same jostling crowds of natives, dressed in the same style, trundling wheelbarrows or carrying implements fashioned after the ancient models which were already old in the thirteenth century. To be sure, the cotton cloth from which their clothing is now made might have been dyed with German dyestuffs and woven in the mills of Lancashire, but that would not be apparent to the casual eye. Whatever is taken from the West, so far as Chinese ingenuity will permit, is forced into the Chinese mold. Some things are not easily adaptable and are reluctantly accepted only if they will fit some need ordained by custom or comfort. Sianfu is a provincial capital and a city of importance. Some day the railway will be extended to connect the city more closely with the coast. The camel trains which bring in products from Central Asia will give place to the "fire wagon," and the streets will have electric lights and perhaps even traffic policemen. But it will be very long indeed before the peculiar flavor of that community is changed, for the natives really like their old ways best.

For one who has lived long in China it is difficult to dispel the feeling that it is only in the forms of life—not in its Chinese essentials—that change has come. The Chinese somehow seem as wedded to the past as ever and, at heart, loathe the road to progress into which they have been forced. But follow it they doubtless will. Only the order of their going will be determined by the people, no matter who directs the march. As Mencius said, "the people are the most important element in a nation; the spirit of the land and the grain are next; the Sovereign is the least in importance."

The Japanese at Home

By George Frederick

FROM a foreigner's point of view the Japanese is the most baffling person to fathom even to the extent of a fair understanding. An investigator after two or three months' contact and study feels quite sure that he is able to write a great deal about the genus, notwithstanding the fact that most of his information is hearsay accepted as fact by frequent repetition; a year's stay will generate a book, but after five or more years' residence with daily contact on the street, on street cars, on trains, in business, in the homes and through the countryside, a philosophic writer throws up his hands in despair because when he undertakes to make a positive statement his experience warns him that a contrary statement may be just as true.

A foreigner is always an outsider, as he is in all countries, and the majority of casual foreign writers live in foreign-style hotels, very few adopting a mode of living entirely different from their own, and thus they are unable to enter into the native life and customs or to know very much about the Japanese. The various groups which so often arrive on one mission or another and are taken in hand by the government are shown what the officials desire them to see. Only when a foreign resident builds a Japanese house and comes in contact with the singular superstitions and customs of the many trades engaged in that work does he have the practical opportunity of learning something about that stratum of society. Afterward, when he occupies the house and has to deal with the vendors who supply his food and other needs, does he acquire a further knowledge of the common people unobtainable by the average investigator or group of investigators.

Innate modesty is a paramount characteristic of the Japanese male and is one reason why he is not understood by Westerners. He realizes the difficulty of explaining himself in English and does not attempt to do so. This difficulty, together with his traditional indisposition to parade himself and his own and his nation's achievements, has given rise to all manner of misunderstandings and has left the Japanese open to the interpretations of an uninformed world. An aversion to oral expression has given him the reputation of being one of the most taciturn of humans. Denying himself the satisfaction of self-expression, he delights in understatement. Thus, when forced to speak about his possessions, anything which is his is always belittled as being inferior and of no especial value. His son, though a bright lad, is described as a good-for-nothing boy. He adores his children and is not modest in showing his affection for them; in return, filial piety is a traditional trait of the Japanese. The love of Japan herself—her mountains forested to their tops, her restful land and seascapes, waterfalls and rushing rivers and verdant rice fields with never a fence in sight—is the one thing which will cause a Japanese to break his reserve and express his admiration for his country.

Courtesy is defined as politeness combined with kindness. This characteristic is very marked among the Japanese. Politeness greets one on every hand and from every class, with the possible exception of a radical,

half-baked student here and there who in his callow days is absorbing communistic ideas. How genuine it is no one except a Japanese can say. One questions its sincerity when one sees a Japanese greeting a friend. Then there is an immediate lifting of hats and a prescribed, traditional formula follows which seems to make the greeting a mere gesture; with many bows each asks about the other's health, the health of the wife and children, of everybody; they inquire about their respective affairs and business, and then proceed to discuss any particular matter between them that seems to be of importance. In the meantime one watches the other closely so that bow shall respond to bow, and when one of the men happens to be of higher rank or position than the other, then such greetings become very ceremonial indeed, with an abundance of bows on the part of the inferior. But there is no question about the sincerity of the average Japanese who comes to the rescue of a bewildered foreigner endeavoring to find some particular place. Such a man will sacrifice his time and go far out of his way to direct and even take one to his destination. In no other country in the world can one get so much for a smile as in Japan.

An inherent love of nature is a strong national characteristic of the Japanese that is shared by all classes. Their esthetic tastes are evidenced in the annual moon-viewing ceremonies, insect-hearing festivals, firefly viewing and the tea ceremony. When the October moon is full and at its best, thousands of families, on the night determined by the lunar calendar, place tiny altars on the veranda where the moonlight falls and make offerings of food, fruits, flowers and Autumn grasses to the brilliant satellite. Poems are composed for the occasion and stories are told in the light of the moon. The insect-hearing festival is a picturesque rite which has survived from feudal days. Old and young foregather in chosen spots in gardens and other places where the festival is held, carrying their insects in tiny cages, some of which have been brought from the gardens of individual homes, and others from one of the many vendors especially for this ceremony of "Freeing the Insects." In cool glens and in softly lighted bowers the cages are opened and the tiny captives freed. Then, almost breathless, the liberator waits for the insects to get their new bearings, realize their freedom and send forth their rejoicing in sibilant song.

Japanese poetry is almost entirely an impressionist rendering of nature. In outline it is intended to appeal to the reader; the details will be added by his own nature-love. The most popular subjects are flowers, birds, or cherry and plum blossoms; the moon and the falling leaves of Autumn; the Winter snow and the mist upon the mountains; a pine tree on the seashore or the sun rising above the waves. Yearly the whole nation is invited to compete in writing odes on a subject selected by imperial direction, and in this competition the Emperor and Empress, and today the Dowager Empress, all submit poems. The 1930-31 subject was "Snow in Front of the Shrine." The number of poems received annually is generally above 25,000; the best five, after those of the imperial family, are selected by the Poetry Bureau as the poems worthy to be read before the Emperor.

Japan keeps her faith and her abundant temples and shrines; one sees them in every village. Few groves of trees are without a shrine and its entrance *torii* of two pillars with a crossbar. Yet with all these evidences of worship many observers declare that the Japanese take their religion lightly; they have no set day of worship, and as a rule shops are open and business proceeds the week through except in the government departments and in some of the large stores in the cities, the doors of other shops being closed only on the first and fifteenth

of each month. There is nothing in the shrines and temples similar to a Christian service. Worshipers alone or in small groups continually visit these sacred edifices; standing in front of the main entrance they clap their hands to attract the attention of the enshrined deity, and if it is a Shinto shrine, toss a coin into the offertory-box, bow their heads and mutter a brief prayer; before a Buddhist temple a gong-rope is pulled to announce their presence to the gods of that temple. This act of worship occupies less than a minute and appears to be perfunctory; apparently it does not matter whether they pray before a Shinto shrine dedicated to ancestor worship, or before a Buddhist temple which stands as an exponent of a highly developed philosophic creed.

The Japanese are highly emotional, but maintain an armor of inscrutability which Westerners penetrate only with difficulty. Occasionally emotion cannot be suppressed and breaks out violently. A few years ago even the most exciting plays at some of the great baseball games did not move the huge crowds to shout; they sat, thousands of them, absolutely silent as if at a funeral. Today a Japanese baseball crowd is not much different from the American, but this does not alter the fact that suppression and not expression is the mode of Japanese life. When telling of some misfortune or of the death of a parent or child, they will smile in a way which a Westerner considers heartless, although the teller may be near the breaking-down point.

Vanity, it is obvious to the most casual observer, is a manifest characteristic of the Japanese male. It seems to afford a Japanese the utmost satisfaction if some one, no matter who it is, can be impressed with his importance, to regard him as a more superior person than he really happens to be. Vanity permeates all classes. It is the motive which induces head volunteer firemen, head carpenters, stone masons and the head of this and that to have their bodies elaborately tattooed—an art in which the Japanese have no equals—so that they may be the envy of their fellows at the public baths and elsewhere. Conceit, the correlative of vanity, is shown by Japanese cocksureness in most matters. A merchant, for instance, catering to foreign customers, will have an expensive sign lettered in English, but he never considers seeking advice from some competent person. Among the classic signs is that of a Tokyo dressmaker, established on a second floor, who announced to the world that "Ladies Have Fits Upstairs." A constant stream of announcements, catalogues, &c., are published in a Japanized English that is indeed startling.

These observations concerning vanity may seem to conflict with the statements concerning modesty, but the distinction should be made that while they are modest in verbal expressions concerning themselves and their families the Japanese are vain in their attitudes and manners. Unquestionably, the Japanese are a proud race. Their 2,500 years of history record no defeat by a foreign foe. In 1281 they repulsed the army of Kublai Khan, and with the help of a "divinely sent" hurricane destroyed the immense Chinese flotilla that conveyed them; they were victorious in the Chinese-Japanese War of 1894-95 and in the Russo-Japanese War of 1904-05. These victories over foreign nations have imbued the nation with its belief of invincibility in war. The marvelous industrial progress of the past seventy years is a just cause for pride. It may be this pride which makes the majority of them so unapproachable, desirous of holding themselves aloof, or it may be insular pride, or inherent shyness.

The psychology of the Japanese tends to lead them along devious and roundabout ways, leaving much to be implied, like some of the tenets of Buddhism. Upon being pressed for the

truth upon some matter and unwilling to state it, a Japanese will dodge the question with some specious answer or calmly reply with the subterfuge that he knows nothing about it. Seldom does he come out with an unwelcome truth and let the consequences take care of themselves. Sometimes this attitude is caused by his desire to spare the feelings of his questioner, or to protect his friends—for the Japanese today is quite as clannish as in the days of feudalism—but more often he is following a national tendency.

In international affairs, perhaps because of their youthfulness in the family of nations, but more because they lack international perspective and knowledge and are prejudiced as to their own value and importance, the Japanese do not take the lead. In recent international agreements and pacts, ratifications have in no case been made before those of other interested nations. The people as a whole are insular and untrained in international thinking, a view expressed by Dr. Inazo Nitobe, one of the distinguished scholars of Japan and ex-Secretary of the Social Bureau of the League of Nations.

There is a widespread belief that the Japanese are shifty and dishonorable in their business methods. This is absolutely untrue so far as it relates to the great business concerns, although during the World War and afterward inexperienced mushroom firms sprang up, firms that repudiated contracts when better prices could be obtained, or did not deliver merchandise in quality up to sample. This practice has died out, experience demonstrating the fallacy of such methods. Perhaps to a certain extent the tendency continues, and this has caused the inspection of standard articles for export.

In the world today there is no overwhelming love of the nationals of one country for those of another, and this aspect is more pronounced when race and color differ. A long residence in Japan discloses a present undercurrent of anti-foreign feeling which revealed itself two years ago when it was proposed in government circles to discharge every foreign teacher of English throughout the land. This incident also serves to illustrate the national tendency to go to extremes. When a luxury tax was imposed on the importation of certain foreign foods and goods, the tax was placed at 100 per cent, no less. This anti-foreign feeling is seldom shown on the surface, but, fostered by 300 years of seclusion from foreign intercourse, it became imbedded so deeply in the national conscience that in sundry ways it is still apparent. At the time of Commodore Perry's entry into Japan and for a long time afterward it was not safe for a foreigner to go unescorted by a guard beyond the limits of the settlement accorded him. This feeling has been kept alive by the attitude of superiority assumed by many foreigners, especially those who lived in Japan in the early days. Most guests today, however, retain only the pleasantest memories, and naturally, upon returning to their homeland, laud the Japanese in full measure. But they have had no opportunity for many glimpses below the surface, or to examine the nerve-centres of the nation.

The Hawaiian Melting Pot

By Ben Robertson Jr.

FEW peoples in modern times have developed a State with more intellectual wisdom, with greater industrial possibilities or with finer social understanding than the people of Hawaii during their thirty-three years under American rule. They have established order, set up and carried on a government, organized industry and finance, established political and religious freedom, and to a degree almost unparalleled in contemporary history have learned to respect a neighbor's right of dissent.

The racial problems of Hawaii in 1898 were far more difficult and confused than any in any other American territory. The people of Hawaii were then a distrustful group of provincials, without many common interests except as to the ultimate fate of the troubled four-year-old Republic. They were divided in their allegiance between Liliuokalani, the exiled Queen, and Sanford B. Dole, the new executive of the territory. Japanese and Chinese, still Taoist and Buddhist in faith and still loyal to the East, turned their eyes to their homeland. The Americans, some of whom had come from California but many more of whom had been born in Hawaii, the sons and daughters of New England missionaries, clamored for American annexation.

There was constant talk of trouble in the mid-Pacific; business everywhere was virtually suspended; distress and depression were general. Each group gathered in secret places and considered means for their own ends. Honest Japanese in the islands wrote earnest messages to Tokyo, while more than one American made speeches like that of the late Lorrin A. Thurston:

> Let the American flag float supreme over Hawaii and every thought and rumor of revolution will vanish as completely and quickly as it has from Louisiana, Florida, Texas and California. Let the ensign of the great Republic once float as the symbol of supreme authority over the city of Honolulu and all that will be necessary to maintain it will be one soldier to hoist it up in the morning and to gather it in from the weather at night.

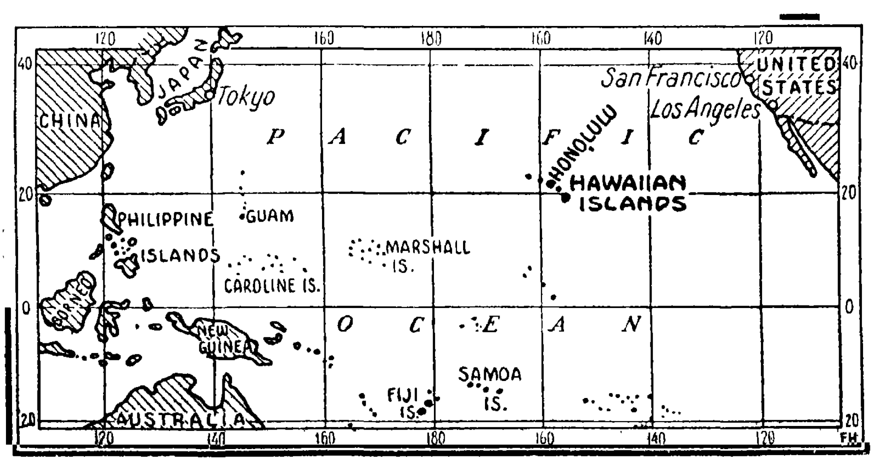
In the end, the Americans, talking longest and loudest, succeeded, and in July, 1898, the Hawaiian Islands, like Texas before them, were annexed to the United States by mutual agreement and treaty. The people then set about forming a territorial government, making peace with one another. Thus the people have risen above the prejudices of creed and color and actually and without hypocrisy have established a working social equality. They are friendly and courteous citizens, although their fathers and mothers were "American Americans," Hawaiians, Japanese, Chinese, Negroes, Koreans, Filipinos or Portuguese. Former Governor Wallace R. Farrington has said: "When we speak of Americans in Hawaii, we include, as you know, all of our native-born or naturalized people, socially equal, buying homes, rearing families, acquiring financial independence, working, playing, doing the things that other Americans do in almost as good or the same or in a better way." It is toleration which constitutes the final attainment of this American melting pot in the Pacific.

Politically, the people of Hawaii are either Republican or Democrat, and,

for all of them, the sugar tariff is the principal concern. It is true that Americans of a half dozen nations of Asia sit among the delegates of the Territorial Legislature, but there is not a person in Hawaii who would place any State assembly above his own in matters of loyal allegiance. In their private lives, they attend Central Union Church, slip off their shoes at the door of the Buddhist Temple in Nuuanu Valley, wear holokus, Japanese kimonos, or attend the Chinese theatre, or dance in the moonlight to the melodious native music. They have struck the happy medium of existence. All give; all take; none attempts to dictate to the other. Much of this condition has resulted from the friendly disposition of the Hawaiian. He has taken the Chinaman from his workshop; he has broken down the formalities of Japanese manners; he has mellowed the stern Puritanism of the missionaries from Massachusetts.

The seven major and thirteen minor islands of Hawaii lie 2,000 miles south and west of San Francisco in the middle of the greatest ocean. Warmed by the sub-tropical sun, cooled by the winds, they are stocked with cocoanuts, taro, yams, fish, bananas, mangoes, guavas, apples, sugar, coffee, forests and fresh water; the lands are fertile; the scenery is rich. People can bathe every day of the year in the warm waters between the sandy beaches and the reefs; they can live in the volcanic mountains where the climate is temperate; and on Mauna Loa and Mauna Kea, on Hawaii, they can find snow. The valleys often are filled with rainbows; the flame tree grows alongside the hibiscus and frangipani in the gardens. Sometimes Hawaiians look to the Southern Cross; sometimes they see the North Star. Visitors soon learn that in the old Hawaiian language there is no word for weather.

Kauai, Oahu, Lanai, Molokai, Maui, Kahoolawe and Hawaii, in order of geographical location, are the largest of the Hawaiian group. Of the four principal islands, Kauai, the northernmost, is the smallest. Pronounced "koweye," it is called "The Garden Isle"; it possesses an area of 547 square miles, a coastline of 106 miles; Nawiliwili, its largest port, is ninety-five miles northwest of Honolulu. It is noted for the magnificence of Waimea Canyon, for its barking sands, for the fragile beauty of Hanalei Valley, with its rice paddies, and for the sheer Na Pali cliffs. The Kingdom of Miloli, off the Na Pali coast, a few hundred



THE HAWAIIAN ISLANDS

yards wide and a few miles long, was formerly inhabited by about 200 Hawaiians under their own king.

Oahu, the next island, a small body of land with two mountain ranges and a valley between, constitutes the city and county of Honolulu, with which are incorporated also the island of Midway, more than 1,000 miles to the west, and Palmyra, more than 1,000 to the south. Here, on a series of deep blue lagoons, is Pearl Harbor, the naval base; in the plateau between the ranges, to protect the base from the rear, is Schofield Barracks, the largest post of the American Army. Here is Nuuanu Pali, a lofty pass in the Koolau Mountains, through which the chill winds roar; Diamond Head, the extinct volcano on the edge of Honolulu; the bleak coast of Makapuu, the curved bay of Kailua, one of the most glorious bodies of water in existence. Here are the Bishop Museum, celebrated for its activities in Polynesia; the headquarters of the Hawaiian Sugar Planters' Experiment Station, whose technologists are noted for their work in all the sugar-growing countries; the aquarium, with its marvelous tropical fishes, and the Hawaiian pineapple canneries.

The Molokai leper colony is on an isolated ledge below an inaccessible cliff on the extreme northern end of that island. Leprosy among the Hawaiians has decreased from 4 to 5 in 1,000 in 1890 to 1½ in 1930. Lanai, the pineapple island, has an area of 90,000 acres and is the property of the Hawaiian Pineapple Company. Kahoelawe is an island of volcanic dust. Maui, 728 square miles in area, with a coastline of 146 miles is "The Valley Island." Kahului, its leading port, is ninety miles southwest from Honolulu; Wailuku is its largest city. Sugar plantations and cattle ranches flourish in the shadow of Haleakala, 10,032 feet high, the largest extinct volcano in the world. Hawaii, the southernmost and largest island, has an area of 4,015 square miles and a coast line of 297 miles. By the Hawaiians it is called "The Big Island." Hilo, its city, is 192 miles southeast of Honolulu. At Kealakekua, on the west coast, Captain Cook landed in 1779 and was killed there by the Hawaiians. Mauna Loa, 13,675 feet high, rises, a grand dome, from the ocean and is one of the largest mountain masses in the world; Mauna Kea is 13,825 feet high; Kilauea, in Hawaiian National Park, is often a great pit of fire. On this island are coffee and cattle, and the irrigation system for sugar-growing is among the most efficient in use in modern times. One can stand in the cocoanut grove at Hilo and, looking toward the volcanoes, see the gigantic sweep of vegetation which grows between the Equator and the Pole, between sea level and timber line.

Men and women in Hawaii, when they founded their State, based their society on industry. Thus today the islands, for their size, are one of the richest areas on the globe. Economically, Hawaii already possesses the stability of a sovereign State. It has railways, a radio station and paved highways; in 1929 it had 5,284 farms—3,098 of the farmers were Japanese—valued at $151,129,085; its 135,000 head of cattle were worth $6,500,000. It shipped to the mainland 913,670 tons of raw sugar, worth $61,914,000, harvested $38,430,000 worth of pineapples on its plantations, received $1,300,000 for the coffee and sent bananas valued at $201,000 to Los Angeles and San Francisco. During an ordinary year 1,314 steamers with 10,142,347 tonnage call at Honolulu, carrying to mainland America $106,385,000 worth of island products and bringing back $82,498,000 worth of American goods. In 1929 Hawaii paid $5,781,547 in internal taxes into the Federal Treasury; $5,640,028 of this amount was from incomes. This exceeded the income taxes paid by fourteen States of the Union. The average net income of residents of the Territory was $4,697 for that year, a figure far above that of twenty-nine

States. Between 1900, when Hawaii was organized as a Territory, and 1929, the islands paid $107,672,109 in customs and internal revenue into the Department of the Treasury, and of that amount the Territory has received not one cent for local appropriations.

The Territory maintains excellent public schools and hospitals, and provides for an accredited university. Honolulu has become one of the most cosmopolitan gathering places in the world and rapidly is becoming the intellectual capital of the Pacific. The last city in the Western World, and the first city in the East, there perhaps is no other American community which has done more for international friendliness than has this city on Oahu.

Of the 368,336 people in Hawaii, 137,407 are either Japanese or of Japanese descent; 87,700 of these are citizens of the United States. For many years both Japan and the United States claimed their allegiance, but the young nationals, in 1924, petitioned the Japanese Diet to expatriate them as they considered themselves, and wished to be, citizens of the United States. The Diet responded with the necessary law, relinquishing all claim to their allegiance. In a hundred other ways, the Japanese of Hawaii have striven to demonstrate their loyalty so that the "American Americans" in Hawaii have implicit faith in their honorable intentions.

There used to be an undercurrent of gossip in Honolulu that, if ever the Japanese should rise in rebellion, the United States Army had things planned so skillfully that every Japanese in the Territory would be under arrest almost immediately. One never hears such talk now. The people no more consider the Japanese a threat than they do the presence on Oahu of a division of the American Army.

There are 38,006 Americans of mainland descent in Hawaii; 50,860 Hawaiians, 27,179 Chinese, 6,461 Koreans, 63,052 Filipinos, and 27,588 Portuguese. They are happy and prosperous and on many occasions laud the benefits of American sovereignty. Japanese, Chinese and Hawaiians are playing a more and more important part in island politics, and the Princess Kawanana Koa has become a Republican National Committee-woman from the islands.

In almost all matters—even more so than in the case of former Territories—Hawaii is virtually an autonomous State. It does not vote for its Governor, it does not vote in Presidential elections, it sends no delegations to the United States Senate, but it administers and retains the funds from its public lands, and receives Federal aid for its roadways as do the States. Almost the only thing the Territory lacks is the legal status of a State.

No people will accept for long the privileges of freedom without demanding that they be allowed to share the obligations and responsibilities. There is a strong movement for statehood. Former Governor Farrington has expressed the desire: "We feel that our progress entitles us to recognition as equals. There is just one way in which that recognition can be granted—by statehood. We do not ask it for economic reasons. It might or it might not be better for our commercial status. We ask it as a matter of autonomy." There is no telling how long the people of Hawaii will be obliged to petition Congress for admission into the Union. Until that time comes, however, we may consider it certain that the Territory will continue in the Pacific "to face its problems as might be expected of free-born, ambitious, well-educated, liberty-loving sons and daughters of the United States."

Atom and Universe

By WATSON DAVIS
Managing Editor, Science Service

RESEARCH in physics is equally vigorous at both extremes—in the interior of the atom and on the far reaches of the universe. The same reasoning and facts often illuminate both the smallest units of matter and energy and whole aggregations of atoms, stars and nebulae. In the realm of the atomic, the neutron is now seen as a possible new building block for the elements and a new kind of particle. It may take a place beside the electron and the proton in man's conception of the composition of the nucleus of the atom. The electron is the negatively charged particle or unit of electricity, the proton the positively charged particle. The neutron is a close combination of the two.

The idea of an electron and a proton combining to form an electrically neutral particle is not particularly new; it was put forward as an "attractive speculation" last year by two American physicists. A Swiss scientist, working in this country, also saw the usefulness of the neutron in explaining some of the hyperfine structure in the line spectra of elements. But now, after exploration of the structure of the atom, there comes some evidence that the neutron may actually exist.

This revelation, if confirmed, began with experiments by Professor W. Bothe of the University of Giessen, Germany, in collaboration with Dr. H. Becker. Professor Bothe, however, did not consider that the radiation he secured by bombarding the metal beryllium with alpha particles (that is, the hearts of helium atoms moving at high speeds) consisted of neutrons. He concluded that it was super gamma radiation, more penetrating than the radiation from radium. But his experiment may prove to be the first step in the realization of the old hope of tapping the energy of the atom, for in the Bothe bombardment, energy was gained at the expense of the matter in the atom nucleus. Dr. Bothe reported:

"Our experiments show that energy is gained if any alpha particle is shot into the beryllium nucleus. That is to say, by addition of an alpha particle to the beryllium nucleus, there is produced a carbon nucleus of atomic weight 13, which contains less energy than the two original nuclei together. These experiments give a hint as to the way in which the building up of the atom nuclei actually takes place in the universe—the heavier nuclei are produced by steps from the lighter. A series of other light elements, as well as beryllium, can be artificially excited to gamma ray emission. The production of artificial gamma rays is just as general a phenomenon as the breaking up of atomic nuclei. In this radiation we have a means of studying the structure of the lighter atomic nuclei; we are standing at the threshold of a 'nuclear spectroscopy.' Indeed, the light atom nuclei are of special interest. They are most simply built, and we can here first expect to penetrate the still unknown principles of nuclear structure."

Later, Mme. Curie-Joliot and M. F. Joliot of the Curie Institute of Paris showed that when the secondary beryllium rays strike hydrogen-containing substances they again produce positively charged particles with very high energy—an effect which is not

readily compatible with the view that the secondary beryllium rays are quanta (that is, electro-magnetic radiation, like gamma rays).

Immediately after, Dr. J. Chadwick of the University of Cambridge, England, as a result of similar experiments put forward the view that the mysterious beryllium rays are the long-searched-for neutrons. According to his hypothesis, when the beryllium nucleus captures an alpha-particle, it adds only three units to its weight, transforming itself into carbon of atomic weight 12. The extra unit of "matter" becomes a neutron consisting of a proton of mass 1, together with an electron of negligible mass. The two are supposed to be closely bound together, not with the electron revolving in a relatively large orbit, as happens within the atom of hydrogen. Dr. Chadwick has been led to assume the transformation of beryllium 9 into carbon 12 in order to account for the enormous energy of the recoil protons produced from the nitrogen atoms struck by the rays, which can produce some 30,000 ions and have therefore an energy of about 52,000,000 volts.

In the realm of the universe as a whole, a hypothesis of two great relativists, Professor Albert Einstein and Professor Willem de Sitter, suggests that space may be and probably is the sort of uncurved, three-dimensional space that Euclid imagined. Although (in a sense) they discard the less familiar and more complicated brands of space-time that Einstein has been using, this does not affect the validity of relativity.

Professor de Sitter, the Dutch astronomer, who had built his own shape of universe on Einsteinian foundations, joined with the father of relativity in espousing a space which is more or less Euclidean as a result of their working together recently at Mount Wilson Observatory. Their pronouncement means that the universe around us may be not only unbounded but also infinite, instead of finite and unbounded, as Einstein and his followers have previously believed. In the Euclidean universe now re-enthroned, light travels in straight lines and goes on and on forever. A ray of light would not traverse the circuit of the universe and come back to where it started, as it was believed to do under the superseded space-concepts. Curvature of space is, in other words, banished from the universe.

Two important developments made Einstein and de Sitter change their ideas of the universe. One of these was the piling up of evidence at Mount Wilson Observatory that the shift toward the red of spectrum lines in light from far distant nebulae is evidence that the universe is expanding at a terrific rate (as much as 15,000 miles per second) and that the further away the nebulae are, the faster the recessions. The other factor was the demonstration that an expanding universe can remain permeated with matter and still be Euclidean. When Einstein built his first universe, he did not dream of an expanding space. He thought it static and constant in size and found himself forced to make space curved to fit this idea.

Combining the new ideas with the equations of Einstein relativity which have stood the test of time, Einstein and de Sitter have been able to compute the density of matter in the universe and have found that their calculations compare favorably with current ideas as to how matter is spread throughout space. They report, however, that as more astronomical data are gathered it will undoubtedly be possible to determine with more precision the density of matter in the universe. If it should turn out that there is more matter per volume of space, then it will be necessary to return to the original Einstein space, even with an expanding universe. If matter is more sparsely distributed, it will be necessary to learn to live in a space of average negative curvature, such as Lobatschewski, the Russian scientist, dreamed of approximately a century ago.

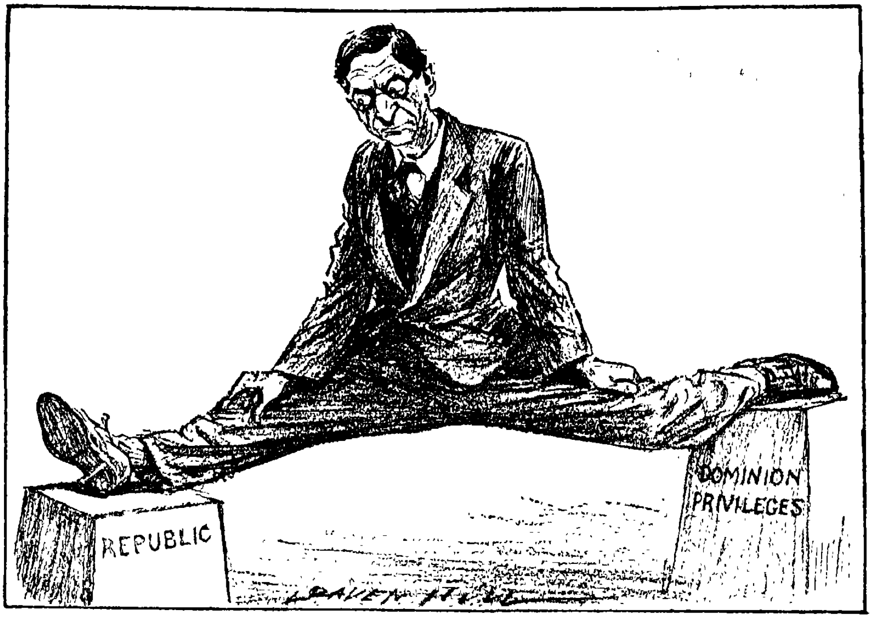
The results of a triple test of the first successful direct measurements of the energy of cosmic rays were announced by Dr. Robert A. Millikan at the recent annual meeting of the National Academy of Sciences. He finds the evidence to be in favor of the photon interpretation of these rays, adding that the suggestion that the rays may be interpreted as neutrons does not appear to conform with the newly established facts. The energy of the cosmic rays was measured by watching the pathway they cause in a cloud chamber.

The results which have been checked are those reported on Nov. 20, 1931, at the Institut Poincaré, Paris, by Carl D. Anderson, who worked with an apparatus capable of measuring, by the method of magnetic deflectibility in air, energies of the order of magnitude to be expected in cosmic-ray photon-encounters with electrons and nuclei—namely, from 27×10^6 volts up to at least 500×10^6 volts.

Assuming, as Dr. Millikan does, that the tracks are due in all cases either to protons or to electrons, nine-tenths of all the observed encounters yield energies which lie within the ranges computed from the Einstein equation and the atom-building hypothesis. Further study of certain sudden changes in direction is needed before final conclusions can be drawn, but Dr. Millikan asserts that the photon hypothesis has greater flexibility in accounting for the observed high-energy protons and electrons than has the neutron hypothesis, the latter of which looks now impotent in view of the fact that no neutron of any energy whatever less than 199 volts can impart to a free electron as much as 3,000,000 volts of energy, whereas the newly observed energies in what look like Compton encounters are nearly all from 7,000,000 to 20,000,000 volts. Only the photon hypothesis seems to fit these facts.

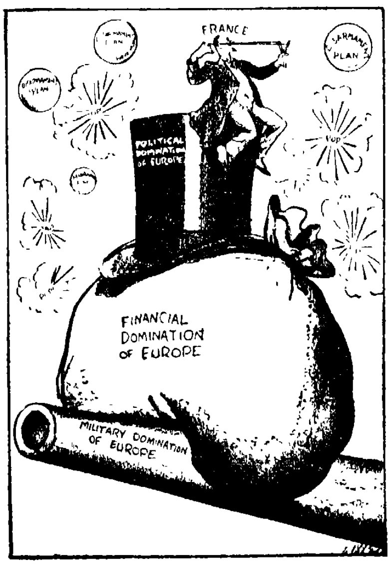
The importance of this hypothesis lies in the fact that it supports the theory that the universe will continue indefinitely and is not "running down," as some scientists have suggested.

Current History in Cartoons



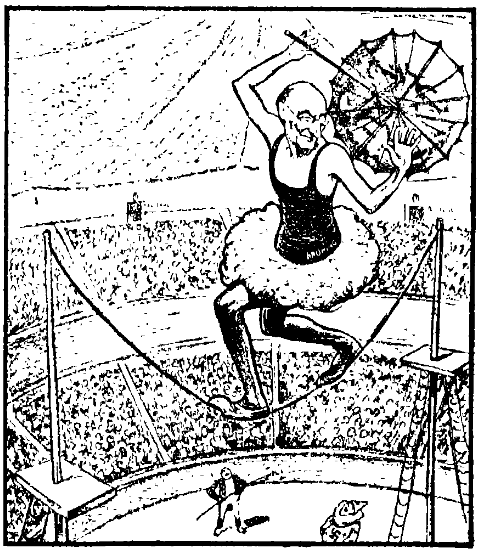
DE VALERA PRACTISES THE SPLITS

—*Punch,* London



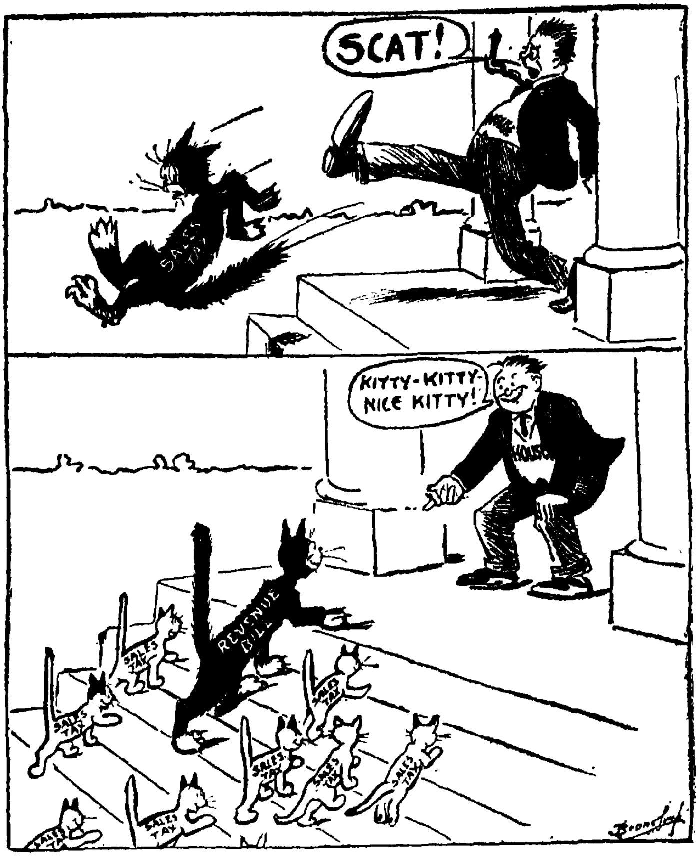
THE REALIST

—*Boston Herald*



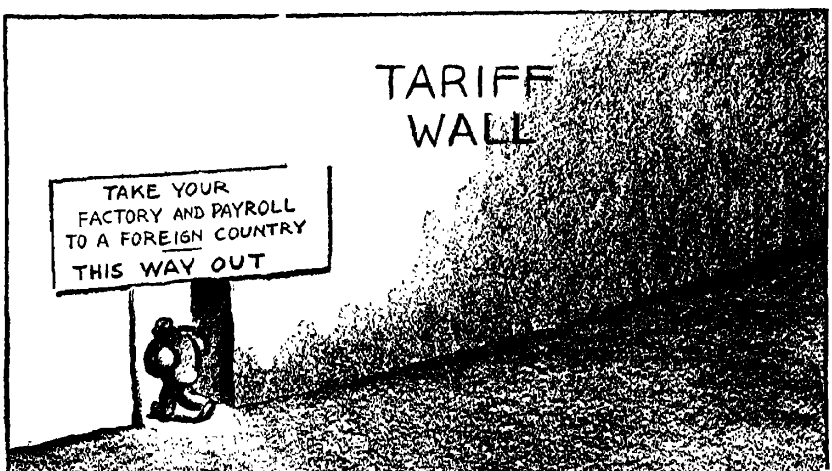
THE BRUENING CIRCUS

—*De Groene Amsterdammer,* Amsterdam



WHAT'S IN A NAME?

—San Francisco Chronicle



OUR GREAT EXPORT BUSINESS

—St. Louis Post-Dispatch



PULL THE CORD!
—Cleveland Press



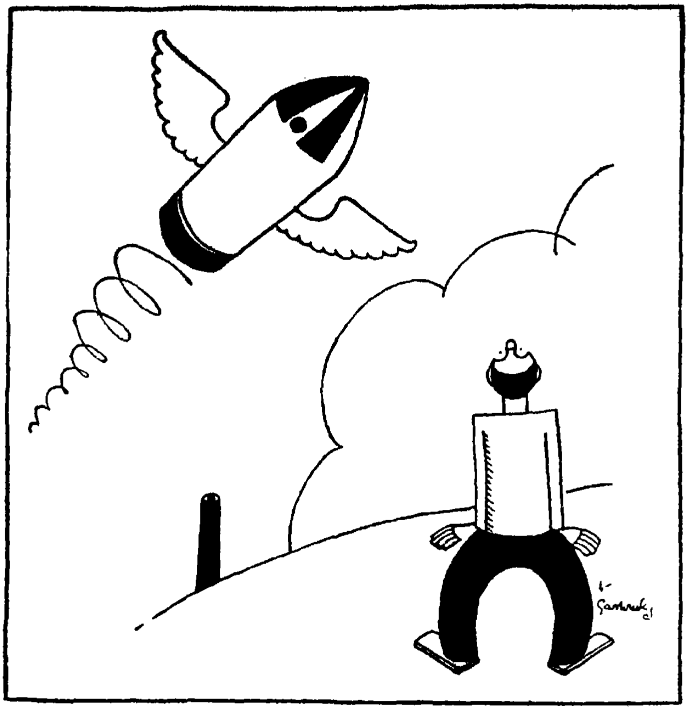
ANOTHER HAT IN THE RING
—St. Louis Post-Dispatch



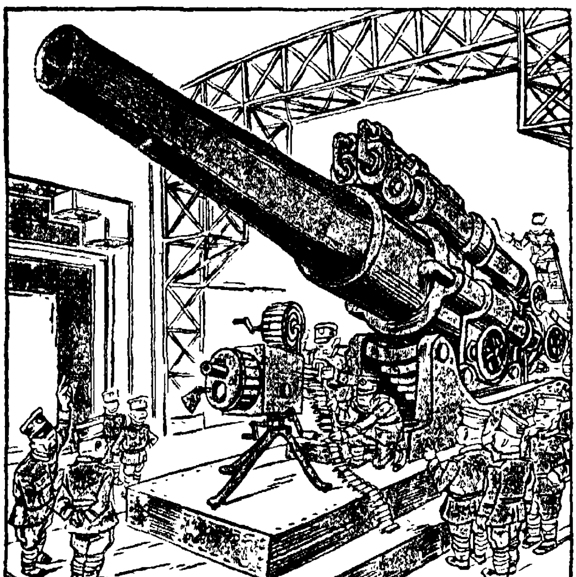
THE "DOUGH" BOY
—Baltimore Sun



THIS RAPID AGE
—Dallas News



THE PEACE DOVE
—*Campana de Gracia*, Barcelona



JAPANESE CINEMA NOVELTY
(Loud-speakers are being installed with all projectors)
—*Guerin Meschino*, Milan

A Month's World History

The Deadlock at Geneva

By JAMES THAYER GEROULD
Princeton University; Current History Associate

THE deadlock at the Disarmament Conference is still unbroken. Neither France and her allies, nor the nations which follow the lead of Great Britain and the United States, are willing to give way. This impasse is but a single phase of the complex interplay of antagonistic forces which, unless it is somehow resolved, will endanger all democratic society. Nationalism, in its various manifestations, is as insensate as was the war which caused its present resurgence, and as destructive as were the guns in Flanders.

Thinking men the world over are not very far apart as to the causes of our present distress, and their views as to what they are have been set down again and again in the resolutions and reports of international congresses. If reason and the spirit of compromise played any considerable rôle in human affairs, a program of readjustment would, long before this, have been discovered and accepted. Instead of that, we have had to wait until the Labor party was driven from power in Great Britain, until Hindenburg was elected, until the results of the Prussian elections were known, until it was determined whether Tardieu or Herriot was to represent France. Now we must not expect concrete results until after the November elections in the United States, or possibly until after a new administration assumes office next March.

The Disarmament Conference itself seems almost to have lost hope of accomplishment, and, in excuse for its powerlessness, makes vague promises for the future. The resolution passed on April 18 reads: "In view of the opinions expressed during the discussion at the conference, the general commission believes that it should be realized by progressive revisions following one another at appropriate intervals after the present conference shall have taken the first decisive step in general reduction to the lowest possible level." Unless public opinion the world over is roused from its torpidity and in every country, including our own, demands of its political leaders a degree of conciliation that thus far has not been shown, no results that will mitigate our present danger are to be expected.

Secretary Stimson has been freely criticized on the ground that his visit to Geneva was ill-timed, that he should have waited until after the French elections. Possibly—but the

party conventions at home are just ahead, and any concessions that he might have made would have been the target for those who prefer partisan advantage to national welfare. It is too soon to say that his contacts with the European delegates at the conference will be without result. His visit was, at the least, a gesture of friendliness. His call of courtesy on Sir Eric Drummond, the Secretary General of the League, the first of the sort ever made by a Cabinet officer of the United States, was one of those events, insignificant in themselves, which are so important in diplomacy, particularly when delicate negotiations, such as are now going on in the Far East and in Geneva, are in progress.

Mr. Stimson arrived in Paris on April 15 and spent the day in conferences with M. Tardieu, M. Laval and M. Berthelot. The next morning he was in Geneva, and for two weeks he was in frequent contact with the heads of the European delegations. While it was officially stated that his conversations with them were related solely to questions of disarmament and possibly to the Far Eastern situation, assertions of this sort are to be taken in a Pickwickian sense. He can hardly have avoided all reference to the insistent questions of war debts and reparations. Decisions of the highest importance have often emerged from conferences primarily on entirely different subjects.

On April 21, at a dinner given by Sir Eric Drummond, Secretary Stimson conferred with Premier Tardieu, Prime Minister MacDonald and Chancellor Bruening, and the day before he had a talk with Dino Grandi, the Italian Foreign Minister. A second meeting of these high officials was arranged for April 29, but illness prevented M. Tardieu from leaving Paris. While there is no doubt that his excuse was genuine, rather than diplomatic, it is equally certain that his absence gave great satisfaction to the Paris press, and possibly to M. Tardieu himself. In the face of the elections, which were only two days ahead of him, his prestige would have suffered seriously should he have receded in any manner whatever from the French demand for security and an international army to defend it. "More than ever are we convinced," said the *Journal des Débats* at this time, "that the maintenance of real peace is linked to the existence of a France strong enough to discourage the forces of destruction; and the day she delivers herself helpless to their desires Europe will enter on an era of catastrophes."

Despite the absence of M. Tardieu, a conference of the chief delegates of the American, British, French, German and Italian Governments was held at Secretary Stimson's temporary residence on the date planned. The resulting communiqué announced that it was agreed that the conference should be resumed in about a fortnight, a message not particularly illuminating but perhaps masking something of promise. Since nothing further could be done at the moment, Secretary Stimson left Geneva to return to America.

Although the centre of the stage was, naturally enough, held by the American Secretary of State, the disarmament conference itself was not entirely inactive. In view of what happened a little later, considerable importance attached to the memorandum filed by the Italian Government on April 8, in which it advocated the abolition of all battleships, heavy artillery, tanks, submarines, aircraft carriers, bombing planes, and chemical and bacteriological warfare. Civil aviation, it asserted, should be governmentally controlled.

The conference reassembled, after its Easter holiday, on April 11. At the opening session, Mr. Gibson, in a vigorous speech, proposed that a beginning should be made by the elimination of weapons which could have no other than an offensive purpose. He

dwelt first on the question of security, admitting that "apprehension as to national safety is not to be dealt with by pure logic, or peace established by argument alone." Its illogical character is demonstrated by the fact that "some of the nations which maintain the highest level of armaments, adequate presumably to deal with any possible aggression, are among those most fearful for their national safety." Fear can best be removed by the abolition of the instruments of aggression. Even the strongest frontier fortifications are not impregnable to modern weapons. If tanks, heavy mobile guns and gas warfare could be eliminated, there would be a far greater measure of security, as it would restore the supremacy of purely defensive weapons.

He answered the objection that treaty engagements of this sort would not be observed in time for war by the argument that the time necessary to produce them would eliminate the danger of a surprise attack, that violations of agreements of this character are always "of the most costly character to the wrongdoer," and that world opinion is building up an increasingly strong sanction in support of such engagements. The risk is small as compared with that of the present. To the objection that such weapons as he was proposing to discard were only a few among many, he replied that it is only by dealing with them in detail that there can be hope of definite progress.

Mr. Gibson's proposal was immediately supported in enthusiastic speeches by President Motta of Switzerland and by Sir John Simon, but its effect was weakened by the tactics of Count Nadolny, the German delegate, who, while he agreed with its substance, criticized the proposal on the ground that it did not satisfy the German demand for equality. This permitted M. Tardieu to re-emphasize the French thesis. The suppression of these weapons would be ineffective, he claimed, without some system of control and of penalties. All arms are interdependent—those of the air, of the sea and of the land—and they cannot be restricted in detail. On the following day he returned to the attack in a brilliant speech in which he denied the validity of Mr. Gibson's claim that a country with peaceful intentions did not need offensive weapons. If attacked it must be able not only to repel but to counter-attack, as otherwise the advantage would lie with the aggressor. Any attempt to deal with disarmament by lopping off this or that weapon will be futile and disingenuous. The only possible means for the suppression of offensive arms is to place them at the disposal of an international power.

The debate on the following days was very vigorous. Yugoslavia and Poland, as was to be expected, lined up with France. Dino Grandi of Italy, while supporting Mr. Gibson's desire for the suppression of offensive weapons, believed that the scope of the proposals should be enlarged to include capital ships, submarines, aircraft carriers, military dirigibles and bombing planes, and that an agreement should be made never to manufacture them again. As to the possibility of bad faith in the observance of such an agreement, "if we start by doubting every one's good faith, we might as well abandon any attempt to reach a result."

A definite forward step was made by the unanimous adoption on April 22 of two resolutions, the acceptance of which involved a modification of the French thesis. The first, modified somewhat from the original British draft, read as follows: "Without prejudice to the other proposals which fall to be discussed under later heads of the agenda, the conference declares its approval of the principle of qualitative disarmament, that is, the selection of certain classes or descriptions of weapons, the possession or use of which should be absolutely prohibited

to all States, or internationalized by international convention."

This resolution was supplemented later in the day by another, also unanimously adopted: "In seeking to apply the principle of qualitative disarmament, as defined in the previous resolution, the conference is of opinion that the range of land, sea and air armaments should be examined by the competent special commissions, with a view of selecting those weapons whose character is the most specifically offensive, or those most efficacious against national defense, or those most threatening to civilians." In order to afford opportunity for the discussion of these points by the technical commissions, the general commission recessed for two weeks. This was necessary on other grounds, as the French were unwilling to advance any further concrete proposals or accept any agreements until after the elections.

The task of these technical commissions is by no means a simple one. No nation likes to admit the offensive character of a weapon which adds to its military or naval power. France, as Dino Grandi pointed out ir one of his speeches, demanded and secured the supression of certain weapons by Germany on the ground that they were solely offensive in character. She now is unwilling to be deprived of these same weapons, alleging that they are needed for defense. The rest of the world, apart from Great Britain, Japan and the United States, is not only willing but anxious to eliminate the battleship. Germany is prepared to scrap even the "pocket battleships" of which she is so proud, if the result can be obtained. To the ordinary mind it is hard to conceive of a weapon of more offensive purpose, though it must be admited that the rôle of the battleship in the World War did not amount to much.

Senator Swanson, however, speaking with the voice of our naval strategists, before the naval commission, declared that the United States is "unequivocally opposed" to the classification of battleships as offensive weapons. He argued, as is doubtless the case, that they are useless as commerce destroyers, that they are ineffective against shore defenses—as was amply demonstrated at Gallipoli —but that they are more efficient and less expensive than shore fortifications. It is pleasant to think that they are of some use; certainly they cost enough.

Alongside the technical commissions—naval, military and budgetary —is sitting a committee which seeks to find a method of moral disarmament. It is discussing the possibility of textbooks that are less chauvinistic than at present, the abolition of training of a military character for the very young, the exchange of teachers and students, the organization of international student camps and the suppression of inflammatory propaganda. The Admirals and the Generals smile at this and consider the committee merely as a place in which the women members of the conference and men whom they consider soft-headed may be kept busy—but it is just possible that they are wrong. No one who has ever watched the training that is now being given to young children in Italy, or knows something of the detail of Soviet military propaganda among the young (see the article, "The Soviets Prepare for War," on pages 270-275 of this magazine), or the ideas that, despite fervid claims to the contrary, are being inculcated by our own R. O. T. C., can doubt what the military man actually thinks of the effectiveness of the training of the young.

THE CONFERENCE AT LAUSANNE

The major European nations will meet at Lausanne on June 16 to make an effort to secure another "final" disposition of the question of reparations. (See the article by Benjamin H. Williams on pages 291-297 of this

magazine.) Great Britain is quite ready for their total abolition, even though there is no adjustment of the American debt payments. Only in this way, she believes, can economic conditions be stabilized. Italy takes the same view. France holds that the principle of reparations must be maintained, since to abrogate it would cast doubt on the validity of the Versailles treaty. Could she secure assurance that her war debt to the United States would be canceled or largely reduced, she probably would be willing to reduce the reparation payments to a mere shadow. Such an assurance, however, there is not the slightest possibility that she will obtain, and she is cynical about the vague hints of an adjustment, consequent upon a settlement of reparations, that have been made by a number of our officials. Germany, on the other hand, is firmly resolved that the last mark had been paid on the reparation account, and the acquiescence of any government in an admission that more might be paid would be the signal for its immediate overthrow.

Under such conditions the task of the conference seems almost impossible. The thing to be feared is postponement. To quote from Lloyd George's latest book: "At this juncture, playing for time is not playing for safety but fooling with the accelerator whilst the car is rushing down hill." Unless a way out can be found and some relief is given to Germany, the complete disruption of her economic and political structure will be difficult to avoid. Should Germany fall to pieces, the rest of Europe, and in turn the United States, will be shaken to its foundations, and in another year we may look back to 1932 as one of comparative calm and prosperity.

The Politics of America's Recovery

By E. FRANCIS BROWN

POLITICS, in one form or another, dominated the life of America during April. Upon the action of Congress, citizens have been led to believe, depends the country's economic recovery. So, while House and Senate have wrestled or fumbled with tax and appropriations bills the public has looked on, hoping against hope that the outcome would be favorable for national financial stability. Many hearts, also, must have wished that Congress might bring its labors to a speedy close before harmful legislation embodying extravagant or inflationary measures could be enacted. But, at the back of the mind of each member of the Seventy-second Congress is the constant thought of the Presidential campaign which is about to open, a campaign in which voters may not be greatly interested, but which, nevertheless, warps the decisions of members of Congress and thus, in the long run, has a definite effect upon the destinies of the voters themselves.

The balancing of the Federal budget seemed as distant at the end of April as it had a month before, since the House revenue bill, which was transmitted to the Senate at the beginning of the month, was still in the hands of the Senate Finance Committee. As a result of a special plea by President Hoover that the measure be passed quickly, hearings on the bill before the Senate Finance Committee were limited so as to close on April 21. During the hearings representa-

tives of interests likely to be injured by the proposed taxation protested against many items in the bill, especially excise taxes which resembled a sales tax on selected commodities.

On April 18, after demands from the Senate Finance Committee that the Secretary of the Treasury make definite substitute proposals for the inequities complained of by the administration in the House bill, Mr. Mills submitted a revised revenue program. His plan was substantially that submitted by Secretary Mellon in December (See January CURRENT HISTORY, page 576) except for a 42 per cent maximum surtax rate, elimination of corporation exemptions and the adoption of excise taxes on "home brew" ingredients. But as far as an outsider could see, the members of the Senate committee, in spite of their insistence that Secretary Mills submit proposals for raising revenue, paid little attention to the recommendations made in answer to their request.

The most troublesome provisions in the bill as it came from the House were import taxes—tariffs—on copper, oil and coal. For the Democrats in particular these items contained political dynamite. After accepting the principle of import taxes, the Senate Finance Committee on April 28 reversed itself and struck all tariff items from the bill, but on May 4 duties on lumber, coal, oil and copper were again voted into the bill. The committee previously had voted to increase income taxes from the rates previously adopted by the House and to raise the surtax maximum to 45 per cent on incomes above $1,000,000. On May 3 the House provision of a tax of one-fourth of 1 per cent on stock transfers was eliminated from the pending bill. In spite of promises to report the bill quickly to the floor of the Senate it remained in committee until May 9 when the revised bill was finally brought before the Senate.

As Congress has worked upon the present tax bill it has been borne home to the nation that our entire system of taxation needs overhauling if it is not to become unbearable. President Hoover, addressing the conference of Governors at Richmond, Va., on April 27, brought the problem of taxation before the executives of the States. He stressed the need for finding new sources of revenue, for reduction of expenditures and for coordination of government efforts in order to prevent overlapping of functions and resulting duplication of taxation.

The need for reducing government expenses if the budget is to be balanced has been apparent since the convening of Congress. Yet the obvious necessity has made it no easier to determine how best to achieve the needed economies. President Hoover has continually demanded that the expenses of the government be reduced, and since its appointment on Feb. 19 the Economy Committee of the House has been trying to discover ways of slashing governmental expenditures. But the difficulty is great, since men in politics, especially with a campaign approaching, are not anxious to approve measures that may deprive any of their constituents of the bounty which they have been accustomed to receive from an indulgent government. Moreover, the pressure upon Congressmen is very real because of powerful lobbies constantly on hand to protect "vital interests." There is, besides, the fact that to some extent any reduction of governmental expenditure will further injure the crippled purchasing power of the nation, a fact unceasingly brought home to all responsible for Federal economies.

The chief hope for retrenchment has been the enactment of an omnibus economy bill which would embody reduction in appropriations, consolidations of governmental agencies and curtailment of services. After conferences between President Hoover and the Economy Committee, sharp differences of opinion within the committee itself, and a good deal of uncer-

tainty among the Representatives as to what economies would be easiest and best, the omnibus bill of the Economy Committee was reported to the House on April 25. The bill as introduced was expected to effect government savings of more than $263,000,000. All salaries over $1,000 were to be reduced 11 per cent, a change which it was estimated would save $67,000,000. Savings proposed in the Veterans' Bureau, it was hoped, would reach $59,627,000. The most radical proposal was the long-talked-of consolidation of the War and Navy Departments into a Department of National Defense, a plan which had been opposed by President Hoover but which was expected to save, according to some estimates, $100,000,000. Although the bill contained many other items it omitted most of the suggestions made by President Hoover.

The House leaders had hoped to attach the omnibus bill as a rider to the legislative appropriations bill and to pass the bill under special rules which would make possible limitation of amendment and of debate. But their plans were rudely shattered when on April 27 a coalition of Republicans and Democrats, although accepting the principle of a rider, succeeded in throwing the bill open to amendments. House leaders and members of the Economy Committee then foresaw the destruction of the bill which had been drawn up after so many weeks of hard work. On the first day that the bill was before the House the exemption level for salary cuts was raised from $1,000 to $2,500, reducing the estimated savings by $55,000,000. The next day, April 28, a plan for eliminating half-holidays for government employes was omitted from the bill and $9,000,000 more of possible savings went by the board. On April 30 the House, by a vote of 153 to 135, almost completed its wrecking of the omnibus bill when it struck out the proposal for consolidating the War and Navy Departments. Finally, on May 3, the disorganized House rejected the proposals affecting the Veterans' Bureau and passed the fragments of the bill by a vote of 250 to 146. Total savings, it was estimated, would not be more than $30,000,000. Now the Senate was faced with the necessity of finding the way toward government economy.

Meanwhile both the House and the Senate have made reductions in special appropriation bills. In the Senate the allotment for prohibition enforcement was reduced to $10,250,000—a sum less by over $1,000,000 than that appropriated by the House. The Senate Appropriations Committee has voted also to cut $87,000,000 from the Postoffice and Treasury bill passed by the House and will, it is believed, reduce the appropriation for the Department of Agriculture by a flat 10 per cent. In the House the annual appropriations bill for the Navy Department was reported on April 19, with a recommendation that was $14,336,984 less than the budget estimate. What these bills will be like in final form it is not easy to see, but when the smoke of battle has cleared away it may be discovered that substantial economies have been effected.

While the House and Senate have been attempting to find some way of reducing government expenses, the lobby of the World War veterans has been active in stimulating action that would result in the immediate payment of the adjusted compensation certificates. (See May CURRENT HISTORY, page 208.) This proposal, with its corollary that payment shall be made through the issue of $2,000,000,000 in currency, has aroused widespread opposition and focused attention on the financial burden which privileges already granted to veterans have placed upon the government. Charles G. Dawes appeared before the House Ways and Means Committee on April 21 and declared that enactment of the proposed bonus legislation "would be an invitation to start on

the primrose path Germany followed until the complete breakdown of the mark." Similar criticisms have been made by financiers and economists throughout the nation. Finally, on May 6, the bill was reported unfavorably by the Ways and Means Committee and seemed to be doomed.

But other veterans' bills were under consideration. The House on May 2 passed the World War widows and orphans bill, which would provide allowances for the widows and children of deceased World War veterans. The bill, if made law, will, it is estimated, cost the government $100,000,000 within the next five years. President Hoover on April 27 vetoed an omnibus pension bill which provided pensions for soldiers and sailors, or their widows, of wars other than the Civil War.

Expenditures for the war veterans, it may be well to recall, now amount to a quarter of our national budget and the proportion is steadily increasing. In the past ten years special grants which may be lumped under the term of war pensions have increased 50 per cent in the United States. As one of our outstanding publicists has said, "the mounting burden of expenditures to a special class of voters is a menace not only to the budget but to popular government itself."

Presumably some of the interests behind the movement for payment of the bonus are interested, not in the veterans, but in inflating the currency. That among certain groups there is a growing sentiment for inflation cannot be denied, although the movement is not entirely in the open. One evidence of the attempt to inflate the currency is the pasage by the House on May 2 of the Goldsborough bill, which directs the Federal Reserve System to emplcy its power to maintain the purchasing power of the dollar at the level of the years from 1921 to 1929 by the control of the volume of credit and currency. American critics were not agreed whether the bill opened the way to inflation or not, but its passage by the House caused a fall of dollar exchange in European markets. The defeat of the bill in the Senate is freely predicted, but even so one can be sure that the inflationists have not had their final say.

With all these complications in the way of balancing the budget, the deficit is rising steadily. On April 21 it had reached $2,213,948,164 and, according to Secretary Mills, would approximate $3,000,000,000 at the end of the fiscal year. Returns from taxation are falling steadily—a fact to be borne in mind when the pending tax bill is considered, since the estimated returns from the proposed legislation are predicated upon no further decline in national wealth or economic activity. Moreover, present estimates for balancing the budget include annual payments due the United States on war debts, an item which is none too sure. When all the elements involved are brought together it seems apparent that in reality the Federal budget will not be balanced, and cannot be, until America reaches some kind of economic stability.

INVESTIGATION OF STOCK MARKET

The long-expected Senate investigation of the New York Stock Exchange began on April 11, when Richard Whitney, president of the Exchange, was summoned to appear before the Senate Banking and Currency Committee to testify concerning bear raids in the stock market. Mr. Whitney maintained that short interests had had no influence upon the steady fall in security prices which has been so painfully apparent in the past year. Asserting that short selling was essential to the operation of the stock market, he declared that liquidation of securities by their owners, rather than selling by the shorts, was responsible for the depression of stock prices. During the following weeks prominent stock operators and brokers appeared before the committee, but,

the market being what it is, their testimony disclosed no very heinous practices and gave little information except that, by and large, a good deal of money had been lost in stock market operations since 1929—and that was hardly news. Moreover, testimony before the committee tended to place responsibility for the steady decline in security prices upon the bull operators of 1928-1929 rather than upon the bears, whom public opinion of late has assailed. Although so far the investigation of stock market operations has been devoid of sensation and has been somewhat disappointing, the Senate Banking and Currency Committee is continuing its study and examination of the old-time bogy, Wall Street.

THE FIGHT AGAINST PROHIBITION

The opening of the political campaign and the shrinking of government revenues have aided to heighten the agitation against the Eighteenth Amendment. Sentiment for action in regard to prohibition is growing in all quarters. Straw votes, notably the recent poll taken by the *Literary Digest,* indicate that the overwhelming majority of the country favors repeal of the prohibition amendment. Moreover, national leaders in both political parties have expressed themselves in favor of a national referendum upon the question. Even Bishop Cannon, an outstanding dry, has spoken in favor of ascertaining the sentiment of the country. Undoubtedly this agitation will find further expression in the party platforms during the Presidential campaign. In the meantime, plans have been under way for a nationwide demonstration in favor of beer, ostensibly because of its potential value as a source for revenue. The original plan, as proposed by Mayor Walker of New York City, called for parades and demonstrations on May 14 in all the large cities of the country. In the midst of the rising sentiment against prohibition, Congress has still managed to avoid a general expression upon the issue, although it would seem that the time had passed for representatives at Washington to fear the political influence of the drys.

POLITICAL ACTIVITY

As the time for the assembling of the party conventions draws near political activity gathers momentum. (See "The Presidential Campaign Opens" and "Why This Political Apathy?" on pages 257 and 265 of this magazine.) From now until November the going and coming of politicians will be carefully recorded in the nation's press; already speakers for both parties are filling the air with resounding "ballyhoo."

To some extent the Republicans are less active than the Democrats. The G. O. P. is certain to renominate President Hoover, since a majority of the delegates to the party's convention have been instructed for him, and the only question now is the probable candidate for the Vice Presidency. Undoubtedly the party leaders would prefer not to select Vice President Curtis, but as he shows no inclination to withdraw from the contest, and as his following is politically important, a way out of the dilemma is hard to find.

The Democratic camp has been more lively. Although Governor Roosevelt of New York has continued to collect delegates pledged to his nomination, he has met with considerable opposition during the past month. The contest within the party between Governor Roosevelt and Alfred E. Smith came into the open after a radio address by Governor Roosevelt on April 7 in which he charged the Hoover Administration with neglect of the "little fellow"—the average American citizen. Nearly a week later, at the Jefferson Day dinner in Washington on April 13, Mr. Smith, in a speech before the leaders of the Democratic party—although Governor Roosevelt

was absent—attacked the New York Governor, declaring that he "would take his coat off" and fight any candidate for the Presidency who "persists in a demagogic appeal to the working classes."

The first real test between Governor Roosevelt and Mr. Smith came in the Massachusetts primaries on April 26, when the State's thirty-six delegates were pledged to the nomination of Mr. Smith. Governor Roosevelt, it had been confidently expected, would win some delegates, but he failed completely to secure any. Primaries in Pennsylvania on the same day were less conclusive and even on May 9, the number of delegates pledged to Roosevelt or Smith was undetermined. An even greater rebuff to the Roosevelt cause was the defeat of the Governor by Speaker Garner in the California primaries on May 3. Meanwhile, several favorite sons had received support from their own States. On May 4 the delegates chosen to the convention were instructed as follows:

Roosevelt (New York)	275
Garner (Texas)	90
Lewis (Illinois)	58
Smith (New York)	46
Reed (Missouri)	36
Murray (Oklahoma)	23
Ritchie (Maryland)	16
Uninstructed	144

Although Governor Roosevelt leads all other contestants for the nomination, it should be noted that he is still far from the required two-thirds majority. By the time the convention assembles it is conceivable that Mr. Smith's strength will be so great that with the votes for Speaker Garner and the favorite sons, he can prevent Governor Roosevelt's nomination and then bring about the choice of a "dark horse"—for example, Newton D. Baker or Owen D. Young.

THE NATION'S BUSINESS

It is an American tradition that business is invariably poor in a Presidential year, but that "conditions improve after the election." Although this belief is historically inaccurate, there may have been in the past enough uncertainty in men's minds as to what the economic effect of an election might be to curtail business activity somewhat. But that the continued failure of American economic life to rise from its present slough can be attributed to the forthcoming campaign seems absurd on the face of things. What is perhaps nearer the truth is that business leaders throughout the country are afraid of possible legislation by Congress which would be, or might be, harmful to the ordinary processes of commerce. Even these fears, however, play a less important part in any economic recovery than the complexities and uncertainties of international affairs and the real and profound feeling of depression which afflicts producers and consumers in the United States.

The plain fact is that business shows few signs of improvement. Any detached examination of the facts contradicts optimistic statements issued by holders of public office or by trade associations in conventions assembled. A slight gain in a particular industry is apt to be more than offset by further declines in other fields of activity. The trend of stock quotations has been steadily lower until leading securities are selling at but a fraction of what a year ago seemed bargain prices. At the same time corporations have passed dividends, indicating the falling off of their earnings. The United Steel Corporation, for example, at the end of April omitted its quarterly dividend for the first time since 1915, and at present the steel industry is operating at about 24 per cent of capacity.

Some consolation and optimism can be found in the steady decline in the number of bank failures, which in March totaled only forty-five, the smallest for that month since 1925. To a large extent this improvement is the result of the aid extended by the Reconstruction Finance Corporation.

With the virtual cessation of bank failures the hoarding of currency has diminished considerably; by the end of April the amount of currency in circulation had fallen about $250,000,000 since early February. As a result the administration's anti-hoarding campaign was considered by its leaders to have been a success, although only about $30,000,000 of the much-heralded "baby bonds" were sold and the actual decline of currency in circulation would not seem to be very great.

Apparently the Interstate Commerce Commission has yielded to the influences which are seeking its approval of loans to the railroads by the Reconstruction Finance Corporation for the repayment of bank loans. In spite of the protests which followed the approval of such a loan to the Missouri Pacific late in March, a request by the Boston & Maine Railroad for $10,000,000, over half of which was to be used to pay off bank loans, aroused little comment. As one press dispatch declared, "there is evidence of a new spirit of cooperation between the Reconstruction Finance Corporation and the Interstate Commerce Commission."

The chief development of the month in the banking world, and the one which has been hailed as most likely to have beneficial effects on business, is the action of the Federal Reserve Banks to expand credit through the purchase of government securities. Acting under the authority of the Glass-Steagall law (see April CURRENT HISTORY, pages 83-84), the Federal Reserve governors, it was announced on April 13, had agreed to increase greatly the purchase of government securities in an attempt to check credit contraction and liquidation. The announcement of the agreement came after a week in which the average volume of Federal Reserve credit outstanding had increased $29,000,000. By April 27 the Federal Reserve's holdings of government securities had risen $306,000,000 in three weeks.

Purchase of government securities on such a large scale is unprecedented in American financial history. Obviously, this buying in the open market, although the Federal Reserve has tended to purchase short-term paper only, has raised the prices of all government issues. At the same time the amount of cash held by the nation's banks has increased, because when banks or individuals sell their government securities they receive in return cash which, in theory, can be used for the purchase of other securities or which, in the case of an individual, may be deposited at a bank and used by that institution as the basis for extension of credit. If business takes advantage of this credit, there should follow an expansion of economic activity and eventually the return of better times. Furthermore, if individuals purchase commercial stocks or bonds with the money which they have received from the sale of government securities, the price of these stocks and bonds, over a time at least, will rise. Unhappily, the benefits expected from the action of the Federal Reserve are, so far, not observable; apparently individuals have either left their money on deposit in banks or have purchased long-term government obligations, while the banks have allowed cash to pile up in their vaults or have paid off indebtedness to the Federal Reserve System. Whether this situation will change in the future or whether some more radical financial policy must be adopted in the United States the lay observer cannot be expected to foresee.

The story of agriculture continues to be one of the sorriest chapters in any account of contemporary American life. Weather conditions have been so unfavorable that estimates fix the Winter wheat crop at about 450,000,000 bushels, compared with 787,000,000 last year. Nevertheless, the price of wheat is still low, fluctuating between 54 and 65 cents a bushel. The price of corn and oats is the lowest in about thirty-four years. Live stock

also sells in the nation's great markets at ruinous prices. In the South, where cotton for July delivery is selling at the lowest figure since 1898, there is some indication that farmers are shifting from cotton to food and feed crops. Conditions in the great farming areas grow more and more acute as the farmers, burdened with debts and mortgages that were made in more prosperous times, struggle to meet interest—perhaps payments on rare occasions—with an income which has shrunk to a fraction of what it was in the first years after the war.

THE UNEMPLOYMENT CRISIS

Unemployment continues to be the greatest social problem before the nation. Exactly how many people are out of work is still as difficult as ever to determine—8,000,000 is the approximate figure most generally cited at present. The discouraging fact is that employment shows no improvement; the Department of Labor reported a decrease of 1.5 per cent in the number of employed during March compared with February, while William Green, president of the American Federation of Labor, stated on April 26 that unemployment had increased during that month.

At the same time unemployment relief throughout the nation faced a crisis. The funds raised in the nation-wide drive of last Fall are exhausted, or nearly so, and cannot easily be replenished. Municipalities, which have been bearing the chief burden of relief, have used up their appropriations and in many instances find it difficult to raise further funds to continue the support of the multitudes who are without work and without resources. In New York City, for instance, Frank J. Taylor, Commissioner of Public Welfare, declared on April 10 that $20,000,000 was needed if thousands in the city were not to starve. His appeal, strengthened by the support of the heads of various welfare societies, brought about an appropriation from the city of $6,000,000, which it was hoped would provide for the city's unemployed until Aug. 1. But New York City, where 828,000 individuals are receiving aid from public and private sources, is but one city in the nation, and these conditions can be duplicated up and down the land. Small wonder, then, that there is a continued demand for Federal aid to unemployment.

THE MASSIE TRIAL

The Massie case, which has dominated the news from Hawaii for several months, received new prominence during April, when the trial of Mrs. Granville Fortescue, her son-in-law, Lieutenant Thomas Massie, and two navy enlisted men, charged with the murder of Joseph Kahahawai, was held in Honolulu. After a trial lasting several weeks, in which Clarence Darrow represented the defendants, the jury found all four defendants guilty of manslaughter, but at the same time recommended leniency. On May 4 the defendants were sentenced to ten years at hard labor, but Governor Judd of Hawaii commuted the sentence to one hour in the custody of the High Sheriff. Although such a settlement of the case may be politic, it is difficult to see in it any victory for law and order or for justice.

Superficially, the case would not seem to be extraordinary, since in American life this kind of episode is all too frequent—the rape of a white woman and the killing by her family of her alleged assailant. But in this instance the defendants were socially prominent and with important naval connections. Moreover, the case has stimulated feeling between the naval representatives in Hawaii and the civil authorities. The fully reported details of the trial aroused the people throughout the United States to such an emotional pitch and to such pronounced disagreement with the jury's verdict that one wonders if Americans do not believe in lynch law more

ardently than in fundamental civil rights.

The Massie case has had repercussions also in Congress, where attacks have been made on Hawaiian administration of justice, and bills have been introduced to revise Hawaiian legal procedure. On the other hand, more sober counsel has pointed to the importance of the islands to the United States, their traditional social stability and the danger of belittling the dignity of their territorial status and virtual self-government.

THE MOONEY CASE

Governor Rolph of California on April 21 refused to grant a pardon to Thomas J. Mooney, who has spent years in prison after being convicted for throwing a bomb in the San Francisco Preparedness Day parade on July 22, 1916. The Mooney case, often called the American Dreyfus case, has long agitated the country. Four California Governors have refused to pardon Mooney, although serious doubts have been cast upon the evidence which brought about his conviction, and representatives of all shades of political opinion have sought to secure his release from prison. This last rebuff brought from those agitating most actively for Mooney's pardon the statement that the "fight to free him has just begun."

THE PULITZER PRIZES

The Pulitzer awards for achievements in American literature and journalism were announced on May 3. The prize for the best novel published during the year was given to Pearl S. Buck's *The Good Earth.* The best play of the year was adjudged to be *Of Thee I Sing,* a musical play by George S. Kaufman, Morrie Ryskind and Ira Gershwin. General John J. Pershing's *My Experiences in the World War* received the prize for the best book dealing with the history of the United States, while Henry F. Pringle's *Theodore Roosevelt* was singled out as the best biography. George Dillon's *The Flowering Stone* was cited as the best volume of verse published during the year. The prize for the best newspaper correspondence of the year went to Walter Duranty of *The New York Times* for his articles on Russia.

Steps Toward Haitian Freedom

By CHARLES W. HACKETT
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IN accord with its policy to reduce and ultimately to eliminate American supervision in Haiti, the United States Government in mid-April informed the Government of Haiti of its readiness to negotiate immediately for financial control in Haiti that will protect American bondholders after the expiration in 1936 of the 1915 treaty. This action was in reply to the note from the Haitian Foreign Minister, Mr. Leger, dated Dec. 22, 1931, which was interpreted as a move for the virtual scrapping of the 1915 treaty by establishing at once a fiscal agency to "protect" American bondholders, one presumably less rigid than the present agency.

The United States replied in a note on April 6 discussing the treaty of 1915, its extension until 1936 by the additional act of 1917 and the protocol of 1919 whereby it was agreed to negotiate an arrangement to protect

the bondholders after the expiration of the treaty. The answer of the United States also discussed the thirty-year loan of 1932. This authorized $40,000,000, but only $23,500,000 was issued, and of that sum there is now outstanding about $14,00,000.

In brief [the note said] a situation is envisaged after the expiration of the treaty where there may be no official known as the General Receiver and that the officer who may act in his stead, in place of collecting, receiving and applying the revenues, as does the General Receiver under Article II, shall have control of the collection and allocation of the revenues.

In view of these apparent distinctions concerning the arrangement which now prevails and that which is contemplated after the expiration of the treaty, the Government of the United States is prepared to make a further agreement covering the exact situation which should then prevail in that respect.

Nevertheless, it is desired to point out that the protocol contemplates control by the officer nominated by the President of the United States of the collection and allocation of the revenues, and in the light of that provision and of the purpose of its insertion * * * it is evident that the Government of the United States is entitled to insist upon such arrangements as in the reasonable view of the United States will assure the carrying out of that purpose.

It was pointed out by Minister Munro in presenting the note that the United States Government "does not desire to continue the existing régime longer than may be found necessary to fulfill adequately the obligation assumed by both governments toward third parties, and that it is prepared to examine in a friendly spirit any proposals for an equitable refunding operation which the Haitian Government may be in a position to submit to it."

CUBAN STUDENTS TRIED

Three Cuban students charged with illegal possession of explosives went on trial before a court-martial in Havana on April 11. That same day public attention was directed to the plight of the students by Chairman Borah of the Foreign Relations Committee, who read in the United States Senate a letter sent to him by the Cuban Patriotic League containing an account of the case. Senator Borah proposed no action, but expressed his intention not to lose sight of the matter. Three days later it was reported from Havana that approximately 150 students were in Cuban jails on similar charges and might face court-martial under a law passed in February which gave the army jurisdiction over violations of the explosives act. The three students whose trial began on April 11 were sentenced on April 26 to eight years in prison.

To assist Cuban authorities in eliminating undesirables and establishing absolute control over foreigners for purposes of public order, a Presidential decree was issued on April 19. It requires foreigners in Cuba to register with the Department of the Interior within sixty days. Only representatives of foreign governments and their staffs and transients remaining in Cuba less than sixty days are exempted from the requirements. In addition to registering, foreigners must submit photographs and personal descriptions as well as fingerprints.

Cuba's claims to complete jurisdiction over coastal waters within a twelve-mile limit were sustained in a decision handed down by the Audiencia Court of Havana early in April. The verdict was rendered in a suit brought by a Cuban shipping company against a British shipping company in the matter of a collision between their vessels on Oct. 15, 1930, which resulted in the sinking of the Cuban ship. The court based its decision on an article of the customs ordinances that were promulgated under the American Intervention Government in 1901. This article states that "for the purpose of securing the collection of legal duties the customs shall exercise necessary vigilance from the moment in which the vessel enters the jurisdictional waters of

Cuba * * * and the jurisdictional waters of Cuba extend four leagues from the mainland or the keys of the same." The case has been appealed to the Cuban Supreme Court.

NEW MEXICAN TRADE LAWS

Recent legislation of a highly nationalistic character has jeopardized the moving-picture business in Mexico City. An official announcement on April 7 by Vicente Estrada Cajigal, member of the Cabinet and head of the Federal District, notified all moving-picture theatres in Mexico City that they were required to show each week one two-reel film manufactured in Mexico or else submit to a heavy fine. It was unofficially predicted that this measure would close many theatres, since it is impossible to comply with the law because of the scarcity of Mexican-made films. Somewhat similar was a decree of the Department of Finance issued on April 9, which modified the regulations governing the importation of parts and material for the construction of automobiles. This decree is designed to grant further protection to industrial plants in Mexico. By it only companies authorized by the Department of Finance to assemble and finish vehicles will be allowed henceforth to import the necessary materials.

Punitive action against bandits was so swift and severe in Mexico during April that it has been heralded in some quarters as an object lesson to the rest of the world in dealing with lawlessness. Sixteen men charged with having attacked a Laredo-Mexico City train were executed by a firing squad on April 2. Two days later twenty other alleged participants in the attack were reported to have been captured by General Vargas, military commander at Celaya, State of Guanajuato, who announced his intention "to put the lot to death" at the scene of the crime, which he described as "the most fitting place for their execution." An attack on Paso del Macho, State of Vera Cruz, was made by about 200 gangsters on April 15, and four persons were killed and several wounded. In the week following, thirty-five persons paid with their lives for the raid, nineteen having faced firing squads and the others having been killed while resisting capture. The attack on Paso del Macho was attributed by Eulogio Ortiz, military commander of the State of Vera Cruz, to "unscrupulous political elements."

NICARAGUAN HOSTILITIES

Hostilities between Nicaraguan rebels and Nicaraguan National Guardsmen commanded by United States Marine officers have again been frequent and of a sanguinary character. Between April 4 and 24, ten skirmishes between the opposing forces were reported and four United States Marine Lieutenants and one Nicaraguan Guardsman were killed. In some of the engagements the rebels numbered from 150 to 200 men, and fought with rifles, machine guns and bombs. The fiercest encounters occurred on April 21 northeast of Ocotal, near the Honduras frontier, and here three United States Lieutenants lost their lives. These deaths impelled Senator Lewis of Illinois to demand in the United States Senate on April 23 that the marines be recalled immediately from Nicaragua. In addition to the casualties mentioned, one United States Marine Lieutenant was killed when fourteen men of the National Guard patrol which he commanded mutinied on April 4.

Present plans of the United States Government call for relinquishing complete control of the Nicaraguan National Guard on Jan. 2, 1933. A State Department announcement of April 6 revealed that at that time there were thirty-five Nicaraguan line officers in the National Guard. Fifty-nine cadets graduated on April 7, and a class of eighty is due to graduate in December. Then there will be approximately 175 Nicaraguan line officers, considered by the Nicaraguan Govern-

ment the minimum number for safety. In addition to these there will be six trained Nicaraguan medical officers, who will be assisted by contract civilian doctors. The Nicaraguan National Guard in April numbered about 2,200 enlisted men and United States forces in the country about 1,400 men.

NEW COSTA RICAN PRESIDENT

The contested Presidential election in Costa Rica, which brought about an armed rebellion, led by Manuel Castro Quesada, in February and then a period of uncertainty as to proper legal procedure to be followed because Quesada, the second leading candidate, withdrew, was settled on May 1. The Costa Rican Congress on that day elected Ricardo Jiménez President by a vote of 24 to 10. Jiménez was the leading candidate in the regular election. (See CURRENT HISTORY for May, page 214).

An Argentine Dictator's Record

By HENRY GRATTAN DOYLE

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GENERAL URIBURU, the former Provisional President of Argentina, died in Paris on April 29, following an operation. He had left Argentina on March 12, after being granted an army furlough of two years to seek rest and medical treatment in Europe.

José Francisco Uriburu was born in 1868 at Salta, capital of the province of that name in Northern Argentina, of a distinguished, aristocratic and wealthy family—one of the several hundred aristocratic families by which, it is sometimes said, Argentina has, with few exceptions, always been ruled. His father was an army General and his uncle, José Evaristo Uriburu, was a former President of Argentina, while among his cousins are José Evaristo Uriburu, former Ambassador to Great Britain, and Dr. Enrique Uriburu, former Minister of the Treasury. His education was purely military, first at the military school in Buenos Aires and later as a post-graduate student of military organization in Prussia. Subsequently he served as Argentine military attaché in Madrid, Berlin and London, and in 1912 he headed a military mission to Germany. On his return he directed, as Inspector General, the reorganization of the Argentine Army along German lines.

During Irigoyen's first administration (1916-1922) General Uriburu was in the confidence of the President and was believed to have been instrumental in maintaining Argentine neutrality during the World War. When President de Alvear entered office in 1922, General Uriburu's assignment was shifted, and at the same time his intimacy with Irigoyen was broken. In 1928, when Irigoyen again became President, Uriburu resigned from the army. Undoubtedly he became involved at this time in opposition to the Irigoyen régime and the Personalist wing of the Radical party. In the Summer of 1930 his house was kept under police surveillance in anticipation of revolutionary activities, but he succeeded in escaping, concealed in a trunk, and at the outbreak of the revolution, on Sept. 6 of that year, placed himself at the head of the troops who marched on Buenos Aires and effected the comparatively bloodless coup

which overthrew the Irigoyen régime.

Uriburu's Provisional Presidency was marked by resumption of normal diplomatic relations with the United States and by sincere efforts to solve Argentina's financial problems through the elimination of waste and graft, the practice of governmental economies, and the insistence upon meeting foreign obligations promptly and in full. The enthusiastic support given his government at the outset waned as months passed without definite assurance as to when elections would be held to re-establish constitutional government. The Provisional President's opposition to the Radical party led him to set aside the provincial elections held in the Province of Buenos Aires on April 5, 1931, in which the Radicals had a decisive majority, and to suspend the provisional elections scheduled to be held in Santa Fé, Córdoba and Corrientes Provinces. The deportation of Radical leaders and interference with freedom of the press caused alarm among moderate Argentines, who were anxious for resumption of normal political conditions. It was even feared that General Uriburu was preparing to set up a military dictatorship.

A series of constitutional reforms proposed by the Provisional President (see CURRENT HISTORY for August, 1931, pages 759-760) as essential to the transfer of power to an elected President did little to allay this feeling, because Uriburu's plans seemed to involve further delays in the resumption of normal political life. Finally, however, elections were held on Nov. 8, 1931, and General Augustin P. Justo was chosen President. His inauguration followed on Feb. 20, 1932. (See April CURRENT HISTORY, pages 96-97.)

Whether General Uriburu ever intended to make himself dictator is uncertain. If he did, he may have been deterred either by his realization of the growing opposition to his continuance in office or by the physical ailment which ultimately took his life. Perhaps the fall of the Ibáñez dictatorship in Chile—seemingly one of the most firmly entrenched in South America—may have caused him to pause. Certainly there is little or no direct evidence that Uriburu had any such intention. His intense opposition to the Radical party and his stubborn determination that it should not be permitted to return to power could easily account for his reluctance to call elections and for the repressive and dictatorial measures adopted toward his political opponents. In the last analysis, his motives will be judged and his services to his country evaluated by the success or failure of the constitutional régime which he was so largely instrumental in establishing, and by its efficiency, fairness and justice in dealing with its own citizens and with other nations.

President Justo's inaugural message was read in person at the opening of the regular session of the Argentine Congress on May 2. (Congress had been sitting in special session since March 28.) The message, delivered before crowded floor and galleries, and broadcast throughout the nation, dealt particularly with financial matters. Strict economy without, however, "damaging the country's future," and fulfillment of governmental financial obligations promptly, were pledged. "Ample collaboration at Geneva" was also stressed, though the League of Nations was not mentioned by name. After referring to the maintenance of "constitutional normality," the President declared that he "would not tolerate any disorders."

The President's report on the financial condition of the nation stated that Argentina's long-term public debt at the end of 1931 amounted to $618,000,000, of which the foreign debt was $256,000,000 and the internal debt $362,000,000. The nation also had a floating debt on Feb. 28, 1932, of $316,000,000. The President said internal taxes, which were decreed in

the closing days of the late *de facto* government and which had yielded $53,200,000 in two months, must be maintained, although he promised a reduction as soon as possible.

The consideration of new tax laws, including proposed taxes on incomes, inheritance taxes and a sales tax, is under way in the Argentine Congress. The Chamber of Deputies already has passed some of the proposals. Drastic economies in the various public services are also proposed by the government, including plans to release 3,000 conscripts in June upon completion of only half of their term of military service.

The Chamber of Deputies on April 27 voted approval of the $125,000,000 "patriotic loan" proposed by Finance Minister Alberto Hueyo. The bill is now before the Senate. Proceeds of the loan, which according to the plan would be floated by methods similar to those employed in Liberty Loan drives in the United States and war-loan campaigns in England, would be used to pay overdue wages and salaries of government employes and other Treasury obligations. The Chamber has also under consideration a proposal to reduce the gold backing of the peso from a 40 per cent to a 36 per cent minimum. Government advocates of the proposal have sought to allay the fears of bankers that it is a step toward inflation of the currency. The Chamber of Deputies has also passed the proposed budget, which carries estimates for expenditures of about $210,000,000 and estimated revenues of about $212,000,000. In an effort to control exportation of funds, all purchases of foreign exchange were made subject to governmental permit, effective on April 27. Previously amounts up to $50 might be transferred daily without permit.

American bankers agreed to grant Argentina an extension until 1933 on $13,000,000 of 6 per cent notes due on April 1, 1932. This is part of the balance of the $50,000,000 loan due on Oct. 1, 1931, of which the Argentine Government paid $25,000,000 in cash at that time. Of the balance, $5,000,000 was taken by American corporations doing business in Argentina and the remaining $20,000,000 was refinanced by notes due on April 1 and July 1 of this year.

The Federal courts on April 28 granted the appeal of former President Hipólito Irigoyen for a prosecution of the charges preferred against him. The former President was pardoned by Provisional President Uriburu just before the latter left office, but refused to accept the pardon on the ground that he could not be pardoned unless he were proved guilty of the charges. On March 9 a Federal judge ruled that the case was closed by Presidential pardon, but Dr. Irigoyen appealed the decision. His supporters attempted early in April to set up a "rump" Legislature for the Province of Buenos Aires, based on the elections of April 5, 1931, which resulted in a victory of the Radicals. This election was annulled by Provisional President Uriburu. The presiding officer of the insurgent provincial Senate tried to interview President Justo, but was refused an official audience.

The population of Argentina was estimated on April 8 at 11,650,000, according to a statement issued in Buenos Aires. The population of Buenos Aires was estimated to be 2,195,200 and of Buenos Aires Province 3,162,040. The net gain by immigration for the past year was less than 6,000; 350,106 immigrants entered Argentina, but 334,251 persons emigrated.

SUSPENSION OF TRANS-ANDINE RAILWAY

The Trans-Andine Railway, one of the highest in the world and world-famous because of its engineering and operation features, suspended its services on April 20. Imposition by Chile of increased tariff duties on Argentine cattle—from 36 pesos to 500 pesos a head (the Chilean peso at present is

worth about 6 cents)—caused shipments of cattle to drop from a total of 42,300 in 1929-30 to 20 in the months since July 1, 1931. The British company operating the line was unwilling to face an estimated loss of about $15,000 a month and voted to suspend operations. After conferences among President Justo, Foreign Minister Saavedra Lamas of Argentina and the Chilean Ambassador in Buenos Aires, it was reported that negotiations were under way for settlement of the tariff difficulties. On April 28 a representative of the operators said that service would be resumed provisionally the following week.

Suspension of the railroad left the Pan-American Airways as the only direct service across the Andes between Chile and Argentina. Indirect rail service by way of Antofagasta and Bolivia, requiring a long journey, and mule or stage-coach transportation across the Andes were the only alternatives. A concession to build a second trans-Andine railroad from Salta, Argentina, to Antofagasta, Chile, held by the Cerceda Garcés Company, has been extended by Chile.

BRAZILIAN POLITICS

The Brazilian political crisis, according to a report published on April 30 in the newspaper *A Noite* of Rio de Janeiro, has been settled. The reported agreement includes a provision for the establishment by decree of the Provisional President of a commission to draw up a constitution, each section of which is to be put into effect experimentally as it is completed. Elections are to be held on April 21, 1933. Other sources report that a constitutional assembly is to be called for February, 1933. This is believed to be satisfactory to anti-administration forces in the State of Rio Grande do Sul, and may prevent a combination of leaders of that State with those of Minas Geraes in opposition to President Vargas. Difficulties in the State of Sao Paulo were indicated by the resignation on April 23 of Pedro Toledo, Federal interventor in that State. During a tour of inspection by Provisional President Getulio Vargas, Minister of Finance Aranha was Acting Provisional President. The President's willingness to surrender his authority even temporarily was looked upon as a good omen for the resumption of constitutional government. Another encouraging sign was the reported abolition of military censorship of cable messages. The cable companies still maintain a censorship, however, and before sending suspicious cablegrams turn them over to government censors for approval.

NEW PERUVIAN CABINET

A new Peruvian Cabinet took office on April 15, Premier Francisco Lanatta having resigned because of friction over his financial policies. The new Cabinet is headed by Luis M. Flores, Minister of the Interior, with Dr. Ignacio Brandariz as Minister of Finance. All the other Ministers retain the same posts. Congress heard the government's new financial plans in secret session on April 19 and passed a vote of confidence in the Finance Minister.

COLLAPSE OF THE REVOLT IN ECUADOR

The Ecuadorean naval rebels led by Commandant Ildefonso Mendoza were captured by government forces on April 11. The three-day revolt involved only one casualty among the rebels and one—crushed between two ships of the improvised fleet—among the loyal forces. Sympathizers with the rebels in Guayaquil demonstrated against the leader of the government forces after the collapse of the revolt. Captain Benignos Abad was sentenced on April 24 to eight years' imprisonment for his participation in the revolt. A report from Panama alleged that the real reason for the revolt was a threatened investigation of Captain Abad and Commander Fernández, two of the leaders, on charges of graft and inefficiency. According

to this report, they induced Mendoza, a defeated Presidential candidate, to lead the revolt in the hope of creating a diversion. But the announced purpose was opposition to the Conservative party and President-elect Neptali Bonifaz.

POLITICAL UNREST IN CHILE

A grouping of parties of the Left in Chile under the leadership of Arturo Alessandri, former President and defeated candidate in the Presidential elections of last October, has been effected. The program of the group is substantially that advocated by Alessandri in his campaign. The principal aim is dissolution of "Cosach" (Compañía Salitre de Chile), the nitrate combine, in which the government has a 50 per cent interest. The immediate occasion for the formation of the new bloc was the election of Alessandri, at a by-election on April 10, as Senator from Tarapaca and Antofagasta Province—a post for which Alessandri, always a popular idol, made no campaign.

Another opponent of President Montero, Dr. Carlos Dávila, former Ambassador of Chile to the United States, who has been in hiding since April 21, when his arrest was ordered for the second time under charges of subversive activities, has issued a long manifesto in which he advocates a form of State socialism for Chile. He declares that the government can take over and operate all the means of production and distribution in Chile within the limits of the present Constitution, and urges that the people of Chile act without violence to secure a trial of "socialism adapted to our national peculiarities."

CHILE GOES OFF GOLD

The new monetary bill providing for temporary suspension of the gold standard was approved by the Chilean Senate on April 19 after passing the Chamber of Deputies the previous day. The bill eliminates a fixed par value for the peso, allowing it to seek its level. A similar bill, which was passed a week before, was vetoed by President Montero because it contained an anti-foreign provision forbidding public utilities to increase their rates. This had the effect of preventing American or British owned street-railway, light, power and telephone companies from adjusting their rates to a possibly lowered peso. The bill was finally passed without this section.

The New British Budget

By J. BARTLET BREBNER

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THE most sensational feature of Neville Chamberlain's budget, presented to the British House of Commons on April 19, was the omission of the $171,500,000 owing to the United States for 1932-33 and of the amounts of reparations and dominion war debts owing to Great Britain for the same period. This was, he explained two days later, "simply a notice that as we did not know what was going to happen, we left both sides out of the account in order to deal with them when certainty came to us later on." Although British policy, as declared on Feb. 2, was in favor of a general cancellation of war debts and reparations because of the belief that Germany could not pay, the omission of these amounts from

the budget was in no sense repudiation. It was declared to be a postponement until after the Lausanne conference. If that meeting failed, it was said that London and Washington would negotiate directly for a new Anglo-American agreement.

Next in importance to the budget was the announcement that the government would seek authority to borrow £150,000,000 with which to control sterling exchange. The fund was to be a capital account exempt from "raiding" for balancing the budget. It was to be controlled by the Treasury, not the Bank of England, and its operation was to be secret. Losses might reasonably occur, but they were held to be better than dislocation of trade and industry through fluctuations in sterling. The crux of the matter lay in the anomalous position of the issue department of the Bank of England, which must, by law and in continuance of government policy, value its gold at the old value in sterling. In addition its foreign assets are subject to fluctuation. Under the new scheme the exchange equalization account of the Treasury would reimburse the issue department of the Bank when the Bank's operations in gold and foreign assets showed a bookkeeping loss, as, for example, when it bought gold, and the Treasury would be reimbursed by the Bank in the opposite case. The gold reserves held at the old sterling rate could be converted to the new at a sterling profit whenever the new stabilization rate was determined.

The outcome hoped for would be that Treasury and Bank could combine to steady sterling by purchases and sales without upsetting the Bank's books or embarrassing it in controlling the note issue. In the sense of the dilemma described in May CURRENT HISTORY (pages 220-221) this device signalized a decision in favor of a low value for the pound as an encouragement for industry and the export trade instead of gradual increase in value for the benefit of foreign investment. Sir Robert Horne, in a speech on April 20, indicated that \$3.60 was a maximum beyond which the benefits to industry of the 10 per cent tariff would be nullified, and \$3.45 was mentioned as a desirable figure. Actually the pound fell from between \$3.75 and \$3.80 to between \$3.60 and \$3.65 after April 19 and it held firm at \$3.66 on May 3 in spite of a marked decline in the dollar in terms of other currencies.

On April 29, although Parliament had not yet ratified the scheme, tenders were invited for an unlimited amount of 3 per cent Treasury bonds at a minimum price of 97¾. The bank rate had been reduced to 3 per cent on April 21 and it was assumed that, if the issue were successful, part of it would be added to the £25,000,000 of the "dollar fund" to form the Exchange Equalization Fund. During March and April gold imports slightly but consistently exceeded exports.

There was much talk about the stabilization of prices so as to face the admitted fact of stabilized wages. Mr. Runciman on May 2 asserted that actually sterling was stable, and it was gold that continued to fluctuate, a point which he proved by referring to the course of commodity prices. These had fallen steadily after their very modest increase in October and November after Great Britain went off the gold standard, but the decline was very small during early April and during the last week a long-awaited, if infinitesimal, rise took place. Because there were so many unknown elements involved, much of the talk had to be speculative, but it evidenced a desire to coordinate a stabilized pound, wholesale prices, wages and interest rates so as to foster industry and the export trade.

The new budget left the income tax at 25 per cent and did nothing to alter the civil service salary reductions of last Autumn. The beer duty remained at its former level and a tax of four-

pence (about 8 cents at par) a pound on foreign and twopence a pound on empire tea was introduced. The return from the general 10 per cent tariff was estimated at the low figure of £27,000,000 and the high-tariff Conservatives felt that they had been betrayed by their own party to conciliate Labor and Liberal members of the National Government when only £5,000,000 from new tariff duties was budgeted. The new tariff scheme, in anticipation of the expiration in May of the abnormal imports act, came into effect on April 25. Its general effect was to impose an average tariff of 20 per cent *ad valorem* on imports of manufactured goods in place of the 50 to 100 per cent rates on specified categories of goods under the former act and the general 10 per cent tariff. The rate was 33 1-3 per cent on some iron and steel manufactures, but experimentally only, and for three months. The Dominions continued to be exempt, pending the Imperial Conference at Ottawa. Any further decline in the pound would somewhat increase the average rate, at least temporarily.

The wheat bill passed its third reading on April 7. It provided for a subsidy to British growers equal to the difference between the world price and 45 shillings a quarter (about $1 a bushel at present sterling rates). This was to be paid for by a tax of 1 shilling on every sack of flour sold by the millers. Another result of the tariff policies was the rush of foreign manufacturers either to set up factories in Great Britain or to license British manufacturers to make their products. A reduction by April 1 of 8.5 per cent over Jan. 1, 1932, and of 6.2 per cent over April 1, 1931, in idle shipping tonnage was also claimed as justification for Great Britain's new policy of protection.

The trade figures for March, the first month under the general tariff, bore out the predictions of the protectionists. Imports totaled £61,110,000, as compared with £62,266,000 in January (February was abnormal because of pre-tariff dumping) and £70,664,000 in March, 1931. Exports totaled £36,610,000, as compared with £35,460,000 in February and £39,427,000 in March, 1931. The adverse balance for March, 1932, was £24,500,000 (£31,237,000 in 1931) and for the first quarter of 1932 was £85,044,000 (£89,135,000 in 1931). The tendency toward redress of the adverse balance was consistent, if small, and in addition the percentage of decline in British export trade was distinctly less than for Britain's chief competitors.

The Parliamentary situation remained unchanged, although Arthur Greenwood, a Laborite ex-Minister, won a straight fight from the Conservatives in a Yorkshire by-election and a Conservative backed by the Beaverbrook anti-Baldwin forces won a safe Conservative seat from another Conservative in London. The Conservative majority in the House of Commons was so large that differences within it were bound to occur, but there was no serious outside threat. Mr. MacDonald's eye trouble and his international duties kept him pretty much out of Parliament, and the Liberal and "Liberal Labor" members of the National Government continued to oppose the government's tariff policy, but it was hoped to keep a united front for Ottawa in July.

IRISH DIFFICULTIES

It became increasingly obvious during April that in setting out to abolish the oath and discontinue payment of the land annuities to Great Britain President de Valera of the Irish Free State had unleashed forces far more intractable than he had expected them to be. He could, no doubt, dominate his Cabinet, dragoon the Labor members whose support he needs, ignore the Sinn Fein extremists who repudiated him and even overawe the Senate with the threat of a new election. But his political nationalism involved an

economic nationalism for which agricultural Ireland was ill-prepared. The Irish Free State needs markets more than she is needed as a market. Mr. de Valera has pledged himself to secure immediate political self-sufficiency and he would like to balance his budget by retaining the land-purchase annuities, but Ireland cannot attain economic self-sufficiency as rapidly as that.

The British Government has not yet mentioned its one real interest in the whole matter, that is, the determination to avoid the risk that Ireland might ever be used by another power as a base for naval or military operations against her. That has been British policy since the thirteenth century and provision for it was the only real limitation on Irish sovereignty in the Anglo-Irish Treaty of 1921. Beside it the form of the oath is relatively unimportant and even the £3,000,000 a year in repayment of land-purchase advances might be a matter for negotiation. Mr. de Valera has also avoided the subject, except by a possible remote inference in a speech on April 10. Both parties to the dispute, therefore, have avoided its ultimate implication and their formal exchanges have simply stated the deadlock between their immediate views. Thus far the British Government has announced that it must stand by the treaty and the financial agreements of 1921, 1923 and 1926. The Free State Government has declared that the oath is not required by the treaty and that it knew nothing of the Cosgrave financial agreements.

The oath bill, which passed its first and second readings in the Dail, proposed more than abolition of the oath. The total effect of the bill might correctly be described as elimination of the articles in the treaty and Constitution which seem to Mr. de Valera (but not to the Cosgrave opposition) incompatible with the constitutional equality of Great Britain and the Dominions which was stated at the Imperial Conference of 1926 and given legal form in the Statute of Westminster last year. If the bill is passed it will involve the niceties of very intricate constitutional law and will be a fit subject for negotiation either at the Ottawa Conference or before the proposed British Commonweath Tribunal. Mr. de Valera has assured the governments of New Zealand, Australia and South Africa, as well as that of Great Britain and his own, that he wants friendship with Great Britain, and he has accepted the Canadian invitation to Ottawa.

Meanwhile the economic situation of the Free State has remained urgent. Discussion of the budget was postponed until May 11, although the deficit was announced as £1,400,000. Labor insisted that something must be done about unemployment and defeated the government for a few hours when it tried to postpone discussion. It secured the promise of further consideration of the subject at the first opportunity. Highly charged with sentiment as is the question of Irish sovereignty, it is at least as important as the task facing the Irish Cabinet of extricating the country from its present economic situation, which could be made intolerable by provoking exclusion from an imperial system of preferential trade.

The proposal that the Irish Free State should absorb Northern Ireland has been raised again with some fervor—"One Ireland, one army, one Parliament." An unfortunate phrase of J. H. Thomas's thoroughly frightened Ulster, and Viscount Craigavon, the Prime Minister, made a trip to London for reassurance. He was informed that no official proposal to merge the Irish polities had been made, nor would it be considered against the will of the people of Northern Ireland.

THE CANADIAN BUDGET

Mr. Rhodes, the Canadian Minister of Finance, on April 6, presented his

budget for 1932-33. The deficit was $51,000,000 on ordinary account for the past year and $50,000,000 for special relief of unemployment. These figures did not include the deficit on the national railways. Mr. Rhodes planned to reduce expenditures by $25,400,000 and increase receipts from taxation by $55,000,000, hoping for a surplus of about $4,000,000. The sales tax, which was raised from 1 to 4 per cent last year, was raised again to 6 per cent. The excise tax on all imports was increased from 1 to 3 per cent and there were a number of increases in income tax and "nuisance" taxes, such as those on checks and telegrams. No major tariff changes were made.

The Canadian balance of trade became favorable in February after being adverse for twenty-seven months, but in March imports totaled $57,437,000, against exports of $39,749,000. The most striking change, however, is in the monetary value of Canadian international trade, which was $2,505,000,000 in 1929 and $1,245,000,000 in 1931. The shrinkage in volume was estimated as at least 25 per cent. Canada has traveled far down from the favorable balance of $402,000,000 in 1925-26, and it is imperative for her to improve her trading position soon. The recent marked tendency away from trade with the United States and toward Great Britain has continued. The new trade agreement with New Zealand, which has just been approved by both Parliaments, is an omen of what might be worked for at the Imperial Conference. The main provisions were for mutual British preferences with special provisions to control the exchange of local products, chiefly dairy produce from New Zealand and lumber and motor cars from Canada.

UNREST IN NEWFOUNDLAND

After the disturbances in Newfoundland in early April, Sir Richard Squires returned to office as Prime Minister and denied any intention of resigning. Rains and the tactful services of war veteran civil guards prevented further trouble, and the arrival on April 12 of the British warship Dragon from Bermuda at the request of Sir John Middleton, the Governor, could be welcomed with some amusement. The Governor on April 7 decided to create a royal commission to investigate the whole affair. The government caucus planned to summon the Assembly and arrange for an early dissolution and general election. A measure of financial hope was announced on April 18 in the form of proposals by the Imperial Oil Company of Canada for an oil monopoly in return for investment of $1,750,000 in Newfoundland bonds.

DEFIANT AUSTRALIAN STATE

A running fight continued in Australia throughout April between the Federal Government, which has assumed responsibility for the bond defaults of New South Wales and Mr. Lang, the Labor Premier of that State. On April 6 the Commonwealth High Court upheld the validity of the financial agreement enforcement act, by which the Federal Government may collect State taxes and impound State revenues to meet the defaults. Mr. Lang promptly withdrew State funds from the banks and stored them in the Treasury. On April 7 the Federal Government ordered the State citizens to pay State taxes directly to the Commonwealth Treasury, whereupon Mr. Lang changed the locks on the tax offices. Four days later the Federal Government attached all betting, racing and amusement taxes in New South Wales and ordered the banks to turn over all State funds. Mr. Lang then converted the State Treasury into a bank, using orders on it and cash in lieu of checks.

Premier Lang also filed notices of appeals to the Privy Council in the matter of the act and its exercise, but these were refused by the High Court

on April 22 and 23. On April 26 the Federal Government decided formally to demand the State tax records, and some fifty trade unionists prepared to defend the tax office. A further default of £200,000 was made on May 1. Next day Mr. Lang appeared to surrender the records, but it was discovered that he had handed over only the returns of the penniless. The Federal Parliament replied on May 4 by rushing through an act imposing a fine up to £1,000 or imprisonment up to three years for any official who impeded the seizure of revenues or production of tax documents.

Although the Labor Government of the State of Victoria was defeated in the Legislative Assembly on April 13, it remained in office, pending an election on May 14. The Acting Premier of Victoria and Premier Lang of New South Wales prevented the Premiers' conference from securing the unanimity necessary for the raising of a £10,000,000 loan for unemployment. The share of New South Wales would have been £3,000,000. The four other States combined with the Commonwealth on April 20 to authorize a £2,400,000 loan, and substantial amounts were set aside for New South Wales and Victoria should they come to terms. The defaults of New South Wales, now paid by the Commonwealth, will total £7,000,000 by the end of June, and the Commonwealth deficit for 1932-1933 is estimated at £21,000,000.

RIOTS IN NEW ZEALAND

During the last three years New Zealand has reduced her expenditures by about £6,000,000 and during April legislation was passed for a reduction of over £4,000,000 for 1932-33. This entailed a 10 per cent cut in civil service salaries. A procession of protest at Auckland on April 14 developed with suspicious rapidity into a very serious riot, which went on until April 16. The disturbance took the form of window-smashing and looting along almost a mile of Queen Street shops. Order was finally restored. About 300 arrests were made. Over a hundred civilians and numbers of police and armed forces were injured.

The banks gave the government a breathing space by hypothecating £2,500,000 of returned soldiers' land mortgages, and it was estimated that without additional taxation the budget deficit for 1932-33 could be kept down to the manageable total of £2,000,000.

THE INDIAN IMPASSE

There have been no recent signs either of a settlement of the profound Indian differences which followed the adjournment of the Round Table Conference or of any relaxation in the British policy of repression. On April 5, for instance, it was announced that a meeting of the All-India Congress would take place at New Delhi on April 24. Next day the government forbade it, but the Congress President, Mrs. Sarojini Naidu, defied the ban. She was arrested on April 22 for attempting to leave Bombay against orders and in the next two days over 400 Congress members, including Mrs. Naidu's successor, the revered Pandit M. M. Malaviya, were arrested for "illegal activities" connected with their attempt to hold the meeting.

During April the two English statesmen who used to have Gandhi's confidence and who earned it by the efforts they made to understand and conciliate Congress opinion expressed their disappointment over his intransigence and refusal to admit the claims of other Indian groups. Lord Sankey did so on April 14 in an article in the *News Letter* and Lord Irwin in his first Massey lecture at Toronto on April 27 spoke of Gandhi's behavior as "one of the major tragedies of the Indian situation." The three British committees of inquiry in India and the Indian consultative committee were reported to be hard at work trying to frame a federal constitution for the British Government to impose on India, but fears were expressed over probable Conservative sternness and reaction.

French President's Tragic End During Elections

By OTHON G. GUERLAC

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IN the midst of the excitement roused by the French elections—between the first ballot on May 1 and the second on May 8—the world was shocked by the assassination of Paul Doumer, President of the republic, by a Russian who was evidently far from sane and who seems to have hoped that the desperate act would provoke France to declare war on the Soviet Union. M. Doumer is the second French President to die by assassination, the other having been Sadi Carnot, who was stabbed by an anarchist at Lyons in 1894.

President Doumer's death could not have come at a more delicate moment —less than two days before the second ballot in the national elections, which could not be postponed. As France has no Vice President, the as yet undissolved Chamber of Deputies and Senate had to be summoned without delay to meet in joint assembly to elect a new President. When the National Assembly met at Versailles on May 10 Albert Lebrun, president of the Senate, was elected President of the republic on the first ballot, which resulted as follows: Lebrun, 633; Paul Faure, 114; Paul Painlevé, 12; Marcel Cachin, 8; blanks and void, 59; total votes, 826. Painlevé's small vote was due to his having announced that he was not a candidate.

The fatal attack on M. Doumer took place in Paris shortly after 3 o'clock on the afternoon of May 6. The President had just entered a charity sale arranged by an association of authors who were war veterans, and was signing a book which was to be later offered at auction. The assassin, Paul Gorgulov, fired five shots, two of which struck M. Doumer, while Claude Farrère, a well-known author, and Paul Guichard, director of municipal police, were wounded as they wrested the revolver from him. The President was taken immediately to a near-by hospital, where he died early next morning, less than fourteen hours after the attack. M. Doumer was 75 years old.

As was anticipated, the general elections in France on May 1 revealed a decided swing to the Left and the leadership of Herriot, and the supplementary elections of a week later confirmed this tendency. Absolute majorities were obtained in the first voting by 256 candidates; a second balloting, in which only relative majorities were necessary, was required in 359 constituencies. According to a tabulation by the Ministry of the Interior available at this writing, the results were as follows:

Party	Seats
Conservatives	5
Republican Democratic Union (Marin)	76
Independent Republicans	28
Popular Democrats	16
Left Republicans (Tardieu)	72
Independent Radicals	62
Radical Socialists (Herriot)	156
Independent Socialists	6
Republican Socialists (Painlevé)	30
Socialists (Blum)	129
Socialist Communists	11
Communists	12
Unreported colonial seats	12
Total	615

Tardieu and all his Ministers were re-elected on the first ballot, as were Herriot, Daladier and Chautemps for the Radical Socialists, Marin for the Republican Democratic Union, Franklin-Bouillon for the dissenting Radicals, Painlevé for the Republican Socialists and Léon Blum for the Socialists. Paul Faure, a leading Socialist, was defeated at Autun. The incomplete results on May 10 showed that M. Tardieu's group in the Chamber lost 29 seats, that of Marin 14. The Communists fared well; despite the fact that their leader, Marcel Cachin, was defeated, they gained eight seats.

The Radical Socialists increased their representation by 47, the Socialists by 17. As the former party had lost steadily to the Socialists in the last Chamber, beginning with an advantage of twenty-five seats and ending with five less than their rivals, this election would seem to be a Radical Socialist victory rather than a Socialist one. It should be remembered, however, that the Radical Socialists of France are not radical in the American sense of the word, nor socialistic in any accepted definition of the term; the word "liberal" would describe them more adequately.

To Premier Tardieu, the decided swing to the Left was ample evidence that his government no longer had the public confidence. On May 10, therefore, after he and his Cabinet had, according to custom, handed their resignations to the newly elected President, Albert Lebrun, they declined the invitation customarily extended for their reappointment as a new government. They agreed to remain at their posts, however, until the new Chamber should meet in June and a new Cabinet should be formed.

It has been said that the electoral campaign gave evidence of apathy on the part of the voters, but this is not altogether true. There were 3,617 candidates for the 615 seats—a few hundred less than in 1928, but the popular vote was larger than usual, having been estimated at about 80 per cent of the electorate, as compared to the 70 to 75 per cent which is normal.

When the results of the first ballot became known, the Bourse of Paris reacted unfavorably, French rentes falling by more than a franc and the Bank of France shares declining by over 600 francs. This is a natural effect of the propaganda in financial circles against the "Cartel of the Left." French financiers have not forgotten the days of 1926 when the treasury was empty, when the franc fell to 2 cents and when capital, frightened by certain threatened policies of the Herriot Cabinet, took flight to foreign countries. It was on the danger of a renewal of the black days of 1924-26 that most of the government speakers played during this electoral campaign. Apparently, however, they succeeded better with the market speculators than with the rank and file of the electorate.

The main issues in the election were clearly presented in the speeches delivered by the Premier and his Ministers and by the leaders of the Opposition, Herriot and Blum. M. Tardieu, in an address in Paris on April 6, gave an exhaustive and masterly presentation of the case for the administration, and followed it by another more aggressive address delivered on April 17 at Giromagny, in his own electoral district of Belfort. Two other important statements of the Cabinet's policies were presented at Rouen by the Minister of Justice, Paul Reynaud, and at Ajaccio by the new Minister of National Defense, François Piètri. The principal Opposition speeches were delivered at Narbonne by Léon Blum, at Lyons, La Tour du Pin and Avignon by M. Herriot and at Nantes by M. Caillaux.

The task of the Left consisted in stressing the budget deficit, the emptiness of the treasury (which three years ago had a balance of 19,000,-

000,000 francs), the uncertainty of Franco-German relations, the heavy burden of military expenses, the extravagant financial policy of loans to private banks or bankrupt nations and, above all, the support given to the government by those elements of the Right which are not in sympathy with the doctrine of peace by conciliation in foreign politics or with the principle of secular schools and a democratic system of education in domestic affairs. The supporters of the government pointed to the reforms accomplished, the help given to the farmers and workers, the pensions voted for the veterans and the maintenance of French security, coupled with the 20 per cent concessions to Germany in the matter of reparations.

The principal point in the controversy between the majority and the Opposition was the part that the Socialist party would play in the coming Legislature. Was it to remain in opposition, engaged in destructive criticism and refusing even to vote the budget, or was it to join the Radical Socialists in another Cartel of the Left, thus playing a controlling part in the political game? The government press and orators tried to revive the fear that the Radical Socialists, instead of joining in an old-fashioned concentration Cabinet with the more progressive elements of the majority, might form a cartel in which socialistic policies would dominate, and hence endanger economic stability and international security as conceived by the conservatives. But M. Tardieu and Paul Reynaud were rather conciliatory toward the Herriot party and concentrated their attacks on the Socialists, endeavoring to arouse against them the suspicions of the peasantry and the property owners.

These tactics were facilitated by the frank and bold manner in which Léon Blum announced in his Narbonne address the intentions of the Socialists. Taking for granted that his party would make important gains, he examined the alternatives which would face it—either it would be the most numerous group in the House, and hence entitled to take charge of the government, or it would be so influential that its active collaboration or passive friendship would be necessary, as in 1924, for the working of a government of the Left. If the first developed, M. Blum said that his party would assume the responsibility of power in spite of the risks such a decision entailed. If the second came to pass, if the Socialist support were needed by the Radicals, Blum wanted to know whether the latter would agree with him on a minimum platform comprising three planks—the reduction of armaments to the level of 1928, national unemployment insurance legislation and the nationalization of the railroads and of the private insurance companies. To this semi-ultimatum Herriot replied only by stating that he would be governed by circumstances and that his party would go forward "toward a truly republican government, free and alone," leaning toward neither the Left nor the Right.

Since Herriot will probably fall heir to the mantle of Tardieu, his attitude is worth examining. Although a sincere pacifist and a supporter of a policy of conciliation, he will not take any steps that might endanger French security. In fact, during the last Legislature he showed himself on the questions of the Anschluss and the Hoover moratorium to be in sympathy with many of the views of the majority; at times he was even accused of being infected with a mild form of nationalism. During the campaign, while attacking the government both in his speeches and in his articles with the dignity from which he rarely departs, he was very careful not to commit himself to any definite statement of future policies. He preferred to stress the position of his party, which he defined as the "axis, not the wing, of a coalition," and as a party which is intensely national and in-

tensely republican. "We claim to represent the majority of France. We are the old and faithful infantry of the republic," he said in his second electoral address of April 17; "we will not accept a position as the last link of a chain which is held at the other end by the Right."

FRENCH FINANCES

The total collections for the budgetary year ended March 31 were 42,536,000,000 francs ($1,678,045,200 at current rates), which was 1,123,000,000 francs less than the estimates and 2,528,000,000 francs less than collections for the previous fiscal year. Of the estimated income tax of 9,056,000,000 francs for 1931-32, only 8,100,000,000 francs have been collected, and there is every indication that much of the rest will not be paid.

The foreign trade figures continue to show the same downward trend. For the first quarter of 1932 exports decreased by 7,547,000,000 francs as compared with the figures for the same quarter in 1931. Both imports and exports declined 38 per cent.

The policy of the Bank of France of recalling gradually its foreign balances has attracted attention to the change which has occurred in the total volume outstanding. These balances had remained more or less unchanged for a long time after the stabilization operations which preceded legal stabilization of the franc. On the eve of the crash in sterling last Autumn they still stood at 25,000,000,000 francs, or about $980,000,000. Now, however, the outstanding total is only about 12,000,000,000 francs, or $470,000,000.

About the middle of April a small and irresponsible Paris newspaper, *L'Ordre,* printed an article which cast doubts upon the solvency of a large New York bank. This intensified an attack on the dollar which had already assumed some proportions, but the French Government interfered and expressed its absolute confidence in the American currency. To be sure, after the break in sterling last Autumn—which cost the Bank of France close to $100,000,000—France withdrew some $200,000,000 of the $700,000,000 on deposit in New York. But the balance left in the United States and the holdings of the French Treasury in dollars are considered proof of the fact that France is anxious to see the gold standard maintained in this country. Early in May, however, the French franc was quoted at above the gold-export point, and gold flowed from New York at a rate which alarmed many observers.

FRANCO-AMERICAN TRADE

The matter of import quotas was again discussed and explained by Premier Tardieu, this time in his electoral address at Giromagny on April 17. He praised the present system for its suppleness and its efficiency, but viewed it only as a temporary remedy. "We must defend ourselves," he said, "against low-priced imports, which nearly dealt us a death blow." But as soon as possible France will adjust her tariff. The same view was expressed in a campaign speech by Minister of Commerce Rollin, while M. Caillaux, the great financier of the Radical Socialist party, said the same thing even more strongly. Meanwhile, another quota affecting American exports to France was announced in an official decree of April 20. Imports of cotton socks, which have heretofore come chiefly from the United States, were limited between March 30 and June 30 to 83,000 dozen pairs. Of this total, 39,000 were assigned to Germany, 20,000 to Italy, 20,000 to Spain and Czechoslovakia, while the United States figures under the heading of "other countries," which are allotted a total of only 2,096 dozen pairs.

The double taxation system, which since 1926 has caused many American firms with branches in France to pay 16 to 18 per cent on that part of

their dividends ascribed to French operations, came to an end on April 27 when a treaty retroactive to May 1, 1930, was signed by Premier Tardieu and Ambassador Edge as the result of long negotiations. This removes a long-standing source of friction and misunderstanding between France and the United States, one that Ambassador Edge has endeavored to eliminate ever since he went to Paris. The same measure applies to Great Britain, Italy, Belgium and Germany; they too have been seeking to have it enacted. It was stated that in exchange the United States has made concessions regarding French companies and nationals in the United States.

BELGIAN LIQUOR QUESTION

Belgium has been experiencing a wave of sentiment against liquor control. The existing "blue laws," aimed especially at strong alcoholic beverages and forbidding their being sold in hotels, cafés and restaurants, have been both evaded in practice and opposed on principle. Official figures show that the annual consumption of liquors, which averaged 11,097,850 gallons before 1930, rose in that year to 109,853,500 gallons. The law which prohibits the consuming of strong drink in public places allows, however, its sale in certain quantities for consumption in the home. It does not regulate the sale of wines or beer. It is this law that certain groups have been trying to modify. The Socialist party, however, and especially its leader, Emile Vandervelde, called by certain papers the "father of the blue laws," have led a strong movement to retain and enforce the present legislation.

The debate in Parliament on the amendment of the law was marked by scenes of great excitement, the Opposition alleging that 100,000 public houses were selling liquor in violation of the statutes. Licensed victualers complained of the competition of private clubs which sell spirits freely, and asked for liberty all round or for complete prohibition.

Hitler's Gains in Prussia

By SIDNEY B. FAY

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THE success of the followers of Adolf Hitler in the elections in Prussia and four of the other German States on April 24 dampened the enthusiasm of the moderate elements in Germany aroused by the final election of Hindenburg as President of the republic. In the State elections of April 24 Hitler's supporters secured a larger number of seats than any other single party in Prussia, Wuerttemberg, Hamburg and Anhalt, and came off a good second in Bavaria. In these five States, which compose approximately five-sixths of the German Republic, the Hitlerites obtained an average of about 35 per cent of the votes—38 per cent in Prussia and 30 per cent in Bavaria. This percentage was considerably more than they obtained in the first Presidential balloting, but, of course, less than in the second Presidential balloting, when they absorbed many votes from smaller parties which offered no Presidential candidate.

In the election for the Prussian Diet on April 24 Hitler's National Social-

ists elected 162 members of the new Legislature, whose composition, as compared with the one elected four years ago, together with the party leaders, is as follows:

Prussian Diet.	1928.	1932.
National Socialists (Hitler)	6	162
Nationalists (Hugenberg)	82	31
People's party	40	7
Centre or Roman Catholics (Bruening)	71	67
State, or Democratic, party	21	2
Social Democrats (Otto Braun)	137	93
Communists (Thaelmann)	56	57
Other parties	40	3
Total	453	422

These figures show that the Hitlerites largely absorbed a number of the small "other parties" and cut heavily into the Nationalists, the People's party, the State party and the Social Democrats. But the Centrists, who are held together by religious ties, and the Communists, who are affiliated with Moscow, nearly held their own.

In a post-election statement issued from his headquarters in Munich, Hitler declared with truth that his party was now the strongest in Germany. "Our success is due," he added, "not to clever tactics, but to relentless toil. What the propaganda department achieved in a few brief weeks is unprecedented. Our task is not to rest a minute, but to renew the fight for the independence of Germany." His success was also due, apart from his personality and his sweeping promises, to increasingly hard economic conditions, heavy taxes and unemployment, which are felt even more severely in Germany than in other countries suffering from the world-wide depression. Possibly the action of Dr. Severing, the Prussian Minister of the Interior, in ordering the dissolution of Hitler's "storm troops" a few days before the election, may have been an unwise political move on the part of the Social Democrats in rousing sympathy for and in influencing some wavering voters to support the party which the government and the police seemed to be persecuting.

The most important consequence of the Prussian election is that the "Weimar coalition," which has enjoyed control in Prussia ever since the war, has now lost its working majority. This coalition consisted of the Centre, State and Social Democratic parties, which, as has often been said, represented respectively the forces of morality, liberalism and social welfare. In the Prussian Legislature elected in 1928 these three parties together contrôlled 229 seats—a small but clear majority of the total membership of 453. In practice the working majority was larger, as the support of several other small groups could be counted on. The coalition has consistently supported Dr. Otto Braun as Prime Minister in Prussia for a dozen years, an extraordinarily long time when compared with the usual short career of most post-war European Prime Ministers. But in consequence of the election of April 24 the old Weimar coalition will command only 162 seats when the new Prussian Legislature meets. In other words, it will have only as many as the single National Socialist party, and will be far from controlling half the total of 422 seats. Since the National Socialists, even if supported by the thirty-one Nationalists, will not have a clear majority, some new coalition must be formed.

Premier Braun will continue to carry on the government until the new Prussian Diet meets, but then presumably he at last will have to resign. Under new rules, which were hastily adopted by the old Legislature of April 12, in anticipation of an increase of Hitlerite Deputies in the elections, the Prussian Premier must be elected by an absolute majority. But Hitler does not possess this absolute majority, and therefore must seek to combine forces with some other party besides the Nationalists. It is quite possible that he will turn to the Centre and form a coalition of the Right parties.

Hitler does not aspire to the Pre-

miership himself, as he prefers to be the power behind the government. The Centrists on their part have asserted their readiness to "work with all parties determined to serve the weal of the entire State on a constitutional foundation," but stress their continued opposition to "a one-sided party dictatorship." Such a coalition would give Prussia a government based on a stable parliamentary majority. It would also have the advantage of leaving a share of the control with the Centrists, who generally are distinguished for their moderation and good sense and who are also widely representative of different social classes and economic interests. Such a coalition would inevitably tend to moderate the "Nazi" program (see May CURRENT HISTORY, pages 170-172) and to allay some of the fears of the French and the Poles.

If such a Hitler-Centrist coalition should be formed in Prussia, very probably Hitler would demand of Chancellor Bruening, the head of the Centrist party in Germany, that the present Reichstag should be dissolved—although it has two more years to run—and that a new Reichstag election be held for all Germany. Such an election would doubtless give the Hitlerites many more seats than the 107 which they won in the Reichstag election of September, 1930, and would naturally lead to a Hitlerite-Centrist coalition Cabinet for the whole German Republic similar to that which now seems likely in Prussia.

Should such a coalition not be formed in Prussia the political situation would be deadlocked until some other grouping of parties could be found to give a majority. Meanwhile the Communists would be in the strategic position of holding the balance of power between the hitherto existing Weimar coalition and the newly elected powerful Hitlerite party. Whether the Communists would temporarily support the Hitlerites or not is questionable. Hitherto they have been the most deadly enemies of the National Socialists; but some papers have suggested that they might aid the Hitlerites for a brief interval in the hope of creating disturbances and difficulties for the German Republic, which would ultimately play into the hands of the Communists and bring them into power after the National Socialists had been overthrown.

The elections in the other four States, Bavaria, Wuerttemberg, Hamburg and Anhalt, showed much the same trend as those in Prussia. The preliminary figures gave the results as follows, the main parties being arranged, as in the case of Prussia, from Right to Left:

	Bavaria.	Wuerttemberg.	Hamburg.	Anhalt.
National Socialists	43	23	51	15
Nationalists	3	3	7	2
People's party	..	..	5	2
Centrist (Bavarian People's)	45	17	2	1
State party	..	18	2	1
Social Democrats	20	14	49	12
Communists	8	7	26	..
Other parties	9	12	2	..
Total	128	80	160	35

GERMAN ECONOMIC CONDITIONS

As the Spring months advance there has been little marked change, either for better or worse, in Germany's economic and financial condition. The Berlin stock market, which was closed last September to official trading because of the financial chaos and the fear of a total collapse of securities and of a financial panic, was formally reopened for trading on April 15. In spite of being closed for seven months—though some unofficial trading, but without quotation of prices in the newspapers, had been permitted under strict government supervision—the volume of trading was much less than the normal amount a year or more ago, and there was generally a considerable decline in prices.

The annual reports of 6,355 German corporations show an average dividend rate of 3.6 per cent, as compared

with a rate of 5.3 per cent during the preceding year. Companies representing 53 per cent of the total capital of all those making annual reports passed their dividends.

Bankruptcies during March were officially reported as 968, compared with 1,261 in March, 1931. The record shows a decrease of 30 per cent in March from last October, which was the worst month in the record of this depression. The figure, however, is somewhat deceptive, since the number of cases in which settlement was made by creditors ran considerably above the figure of a year ago.

Unemployed workingmen on April 15 numbered 5,934,000, a decrease since the middle of March of less than 200,000, in spite of the seasonal increase of employment which usually occurs at this time of year. In the corresponding month a year ago there was a decrease of the unemployed of 363,000.

In drawing up the budget to be presented to the Reichstag Chancellor Bruening is likely to have to face a deficit of about $150,000,000. No provision is being made in the budget for the payment of any reparations during the coming year. It may also be noted that Neville Chamberlain's British budget makes no provision for the receipt of reparations from Germany and of war debts from France, and likewise no provision for the payment of Great Britain's war debt to the United States. Are these signs pointing to the likelihood that at the Lausanne conference, scheduled to meet in June to deal with reparations and war debts, there will be a continuation of President Hoover's moratorium or perhaps even an attempt to wipe the slate clean of this thorny problem?

The decrease in the consumption of alcohol and the consequent fall in revenues from this source, resulting from the high price of alcohol, led President von Hindenburg on April 22 to decree a drastic cut in the monopoly rate from $3.80 to $2.38 a gallon. The abstinence of the Germans had reached a degree which resembled a consumers' strike, except that the consumption of foreign wines as well as smuggled and bootleg alcohol had risen abnormally.

Germany's gratitude for the Hoover moratorium, and especially for the part played by the American Ambassador in Berlin in bringing it about, was marked on April 25 by the conferring by the University of Tuebingen of the honorary degree of Doctor of Political Science upon Ambassador Sackett.

HITLERISM IN AUSTRIA

Hitlerism spread from Germany to Austria in the elections on April 24 for the Vienna Diet and several other provincial Diets. The Hitlerite National Socialist successes were achieved chiefly at the expense of the Pan-German and Farmers' parties, which were wiped out. The new Vienna Diet will consist of 66 Socialists, 19 Clericals and 15 Hitlerites. Allowing for a reduction in the size of the Diet, this means a gain of one for the Socialists, a loss of nineteen for the Clericals and the appearance of fifteen Hitlerites, who previously were not represented. Similarly, in the balloting for the Salzburg Diet, the National Socialists increased their popular vote nearly sixfold, from 4,537 in 1930 to 24,125 in 1932, while the Christian Socialist party decreased from 51,136 to 41,413 and the Socialists from 36,900 to 28,810.

The election showed that the Hitlerites, who were previously a mere handful in Austria, cast about 16 per cent of the total vote in the Vienna Province, 18 per cent in Lower Austria and 22 per cent in the Salzburg Province. They may very likely demand a general election in the whole Austrian Republic. And they have weakened still further the Christian Socialist Government of Chancellor Buresch, which for some months has had an insecure tenure as a minority Cabinet.

First Year of the Spanish Republic

By WILLIAM E. LINGELBACH

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THE first anniversary of the Spanish Republic was celebrated with great enthusiasm on April 14, just one year after Alfonso XIII slipped out of Madrid on his way to exile, and the tricolor of the republic replaced the standard of the Bourbons. This year Madrid was in holiday mood. Thousands thronged the streets and public squares. The festivities were inaugurated on April 13 by a State banquet given by President Zamora to the diplomatic corps and by a great parade of airplanes, the largest concentration of air forces in the nation's history. Despite a nation-wide fiesta there was surprisingly little disorder. The republic is not only safe but orderly.

A note of buoyant optimism pervaded most of the addresses and newspaper editorials. The achievements of the first year of the republic and its manifest stability were acclaimed on all sides. Addressing himself to the problems of the future, the Prime Minister said: "Now that the republic has resolved the important problems it found pending, it is going to occupy itself principally with invigorating the nation's economic life, using every resource to favor the circulation of capital and procure the revival of public riches."

Among the accomplishments of the year are the drafting and adoption of the Constitution (see the full text on pages 374-384 of this magazine); its enforcement "with order and authority" against the bitter opposition of the Right and the Left; moderation and courage in the disestablishment of the church; progress toward the establishment of secular education; the gradual but relentless republicanization of the army; the tactful and firm handling of the difficult Separatist problem, and finally, the inauguration of agrarian reform, which, when carried out, will do more than anything else to modernize the nation.

The questions of Catalan autonomy and of land reform were given precedence on the legislative program when the Cortes reconvened on April 26, after a recess of four weeks, to resume the second period of its labors—the adoption of practical measures necessary to give effect to the organic law, or, as it is aptly called, "implementing the Constitution." Unfortunately, the question of Catalan home rule is almost impossible to solve satisfactorily in view of the uncompromising demands of many Catalans for what is equivalent to complete independence.

A great demonstration was staged on April 24 by 100,000 Catalonians before the palace of the Catalan Generalidad. They loudly demanded that the Cortes adopt the Catalan autonomy statute in its entirety and without change. To this demand Colonel Macia, the white-haired President of Catalonia, shouted: "We must defend the statute at all costs. If it is not passed, God help Spain and us!" Opposed to this attitude is a large element in the national Cortes, which maintains that the statute was not drawn wisely and that it shoud be considered item by item. The ex-

tremists have adopted a new slogan, "*Nosaltres Sols,*" or "We ourselves," and Daniel Cardona, the leader of this faction, roundly denounced what he calls the political "opportunism" of Colonel Macia, bolding declaring that Catalan liberty "must come from internal conflict. It cannot be obtained by dickering with Spanish politicians." Manifestly the Separatist question will not only occupy the centre of the stage in the coming weeks but it will seriously threaten to interrupt the hitherto orderly evolution of the republic.

Intent on making capital for their cause, the Royalists, who are reported to have settled their differences, are frankly encouraging the Separatist movement, the substitution of the corporative vote for universal suffrage and a concordat between State and church more acceptable to the latter than the present status. In the meantime the church has accepted the Constitution and is cooperating with the authorities of the republic despite occasional acts of violence against it by the Radicals, such as the burning of a church in Seville on April 8 and the monastery at Antequara earlier in the same week. Minor labor disturbances of a sporadic nature continued during the month in one or two industrial centres, notably at Valencia, but the watchful enforcement by the authorities of the government's defense of the republic act, forbidding any form of anti-government activity, has checked the disorderly elements.

Carrying forward its program of social reform, the government has opened an Institute of Penal Studies for the education of prison wardens. Courses in criminology, penology, psychology, criminal pedagogy and prison administration are provided. In recognition of the services of the press in the establishment of the republic, one of Alfonso's former palaces has been transformed into a "residence for aged and retired journalists."

During the month criticism developed in certain quarters of the lavish expenditures of President Zamora, whose very large salary amounting, with "entertainment allowances," to about $180,000 a year is manifestly out of line with the economic program of the republic. Toward the end of the month the conflict between the President, as a representative of the civil authority, and the navy, still more or less Royalistic in its sympathies, developed in connection with President Zamora's visit to the Balearic Islands, in which the destroyer on which the President was traveling went on the rocks. The government in consequence is carrying through a rigorous republicanization of the navy, paralleling, in this respect, the transformation of the personnel in the army and the civil service. The latest measure in regard to the army envisages the entire replacement of all sympathizers of the monarchistic régime with young republicans from the ranks of the non-commissioned officers. Meanwhile, José Giral, the Minister of Marine, has taken the definite stand that Spain must be among the principal signatories of the proposed Mediterranean non-aggression pact, supporting his demand by a vigorous defense of his departmental budget of $23,000,000 for the navy for 1932.

ITALY'S MATERIAL PROGRESS

Italy on April 21 celebrated the anniversary of the day, 2,685 years ago, when Romulus, according to ancient tradition, plowed the square furrow on the Palatine Hill which became the heart of the Roman world. The celebration takes its importance from the fact that Mussolini has made April 21, as he has Oct. 28, in honor of the Fascist March on Rome, a great national occasion for the opening of public works of all kinds and a sort of stocktaking of the year's work and of the achievements of rival communities. In this way it serves as a powerful stimu-

lus to the different municipalities to inaugurate improvements and carry out the program of "work" which the Fascists have adopted for the regeneration of Italy. Throughout Italy new streets, new public gardens, new schools, new blocks of workmen's houses were officially opened or dedicated. In Rome the formal opening of the magnificent new street from the Piazza Venezia to the Coliseum, skirting the imperial forums, attracted particular attention. The day also witnessed the annual admission into full party standing of the Fascist youth of the nation. This year the young Fascisti of Rome alone numbered 100,000. Mussolini himself presided over their enrolment in the Fascist militia.

From a survey of the plans to fight unemployment it appears that in the nine years of the Fascist régime the huge sum of $825,000,000 has been spent on public works. With the special appropriation of $290,000,000 added to the amount already budgeted for the purpose this year, works costing $470,000,000 will be in progress, making the colossal total of $1,585,000,000, or three-fourths of the entire sum spent on public works in the sixty years from 1862 to 1922.

In the second week in April Italy suddenly interjected a new factor into world politics. At the conclusion of a protracted session the Fascist Grand Council issued a startling declaration on the present European situation. In it Italy's restiveness over the baffling delays and dilatory tactics of international conferences is expressed in no uncertain terms. Fascism now has gone on record as definitely favoring a readjustment of war debts and reparations, the reduction of oppressive customs barriers, economic accord for the Balkan and Danubian States and the revision, through the League of Nations, of certain disturbing features of the peace treaties which are a constant source of friction and may easily lead to war. To these Mussolini added disarmament and the control and distribution of gold as further steps toward the cure of the European depression. On the subject of disarmament he expressed confidence in the ultimate outcome of the Geneva conference. There are persistent rumors that when the question of Italy's relationship to the League of Nations comes up for consideration in October she may formally voice the criticism, now very general in the Italian press, that French influence is too dominant in League affairs, or that she may even consider withdrawing from the League altogether.

Mussolini has thrown the moral support of Italy on the side of disarmament by instructing the Navy Department to withhold its construction program for the fiscal year. "If we today presented a program to be carried out in future years," said Admiral Sirianni, Minister of the Navy, "it would be interpreted as signifying our loss of faith in the conference." Referring to Foreign Minister Grandi's plan for the abolition of battleships, submarines and air carriers, the Admiral explained to the Deputies that this did not mean immediate, but only gradual, abolition. On the other hand, it did mean that no more ships of these categories would be built.

Unfortunately, the report of the Budget Committee recommending the War Department's budget of $149,000,000 for 1932-33 is less conciliatory. It characterizes the idea of a lasting peace as "an eternal dream," refers to the repercussions of the Sino-Japanese conflict and draws attention to the unprecedented excellence of the French Army and to an unarmed Germany, at a time when the conference at Geneva is discussing disarmament.

During the month the representative of the Fascist labor syndicates was at last admitted to his place in the working committees of the International Labor Conference. For nearly nine years this exclusion had largely paralyzed the participation of the Italian delegation in the work of the Labor Conference. By a vote of 89 to

30 the rules were amended and the partial ostracism of Fascist labor brought to an end. In Italy it is regarded as a clear recognition of the liberty of the Italian syndicates and a distinct victory for Senator de Michelis, chairman of the delegation.

In the matter of Italy's trade, the improvement in the balance continues favorable, the monthly imports for March falling below those of a year ago. True, the excess of imports over exports for the month was still $6,838,000, but this contrasts favorably with an unfavorable balance of $10,520,000 for March, 1931. The unemployment situation also shows improvement, there being a total decrease of 95,000 over last month, or a decline to a total of 1,053,000, of whom 826,000 were men and 284,000 women. The greatest unemployment is in the building trades, with agriculture coming next. Early in the month another illustration of confidence in the government and in national stability was furnished by the extraordinary response to the subscriptions for the new government bond issue of $52,600,000. In less than twelve hours the subscriptions received totaled four times that amount.

The Crisis in Central Europe

By FREDERIC A. OGG

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AS recorded in this magazine last month (see "Salvaging the Danubian States," pages 191-196), the four-power conference which convened in London on April 6 to save the Danubian States from economic collapse, itself collapsed within forty-eight hours. The outcome of a different line of effort a week later was hardly more reassuring. The International Chamber of Commerce, in session at Innsbruck from April 16 to 20, devoted itself to the Danubian situation, but accomplished little because of conflict between a plan substantially identical with that put forward by Premier Tardieu in London and an alternative German proposal for unilateral preference for Austrian industrial products, combined with a general preference for agrarian products of Yugoslavia, Rumania and Hungary. Poland, Hungary and the three members of the Little Entente endorsed the French plan; Germany and Austria opposed it; Great Britain and Italy took a neutral position, although the latter eventually gravitated toward Germany and Austria.

The British delegate described his country as gravely disappointed at the course of affairs in Central Europe and as unwilling to grant fresh credits there without "vital reforms and substantial guarantees," and added that his government was prepared to examine and support any plan whatever that gave reasonable prospect of bettering matters. With some attempt at a show of unity, the delegates adopted resolutions before adjourning, but of scarcely more color or promise than the far from illuminating statement given forth by the conferees in London. The economic difficulties of the Danubian States, it was gravely declared, are "connected with the world depression"! The problem requires "immediate and effective intervention," yet must be solved as a part of "methodical European reorganization"! Danubian cooperation

must "be based on an exact foundation, which must not, however, excite the hostility of other States"! As further cover for the essential deadlock behind these meaningless pronouncements, the Chamber of Commerce created a permament committee to work further on the subject. Few observers, however, were so optimistic as to expect any results of importance.

The meeting of the Council of the League of Nations on April 12 to consider the report of the Finance Committee of the League upon Danubian affairs (detailed in these pages last month) was duly held. However, on the ground that the experts appointed by the unsuccessful London conference should have opportunity to confer with the League committee and to consider its report of April 1, Great Britain, France, Germany and Italy—whose delegates alone participated in the discussion—secured a further postponement until May 9, the date of the Council's next regular session. The results of this latter meeting were not known at this writing. The gathering of April 12, however, revealed some disposition, especially on the part of Dr. Bernhard von Buelow, Germany's representative, to minimize the apparent failure in London.

But the financial difficulties of at least two of the lesser States could not be held in suspense over so long a period. On April 15 the government of Bulgaria notified the League Council that as of April 1 it was suspending for six months the transfer of 60 per cent of the country's foreign debt service (instead of the 50 per cent which the League Finance Committee had recommended), and on the same day Premier Venizelos told the Council that in order to balance the Greek budget, due to go into effect on May 1, his government was compelled to cease entirely the payment of redemption service on both external and internal debts, and also, as for interest, to cut the internal service one-fourth and totally to suspend the transfer of the external service.

CZECHOSLOVAK PARLIAMENT

At the opening of the Spring session of the Czechoslovak Parliament, the government announced that various matters which ordinarily would have come up for discussion at this time would be postponed, and that attention would be devoted exclusively to measures designed to alleviate the existing financial and economic situation. Prominent among these were bills increasing the taxes on beer and on trade turnover, creating a special unemployment fund, and granting the State railways a privileged position in respect to the operation of motorbus services. The proposed increase on trade turnover was strongly opposed by the Small Traders' party as an undue burden on traders and shopkeepers, but the threatened withdrawal of the party from the government coalition was not deemed probable or likely to have any important result. Considerable interest attached to a bill introduced about the middle of April to lower the period of compulsory military service from eighteen months to fourteen. The proposal was acceptable to the recruits themselves, and was likewise construed as showing that the country stands ready to do all that it can toward reducing its military establishment and cooperating in such wide-world efforts at disarmament as seem feasible in existing circumstances.

Persistent reports of famine conditions in the Province of Ruthenia led, at the middle of April, to violent attacks upon the government by the parties of the Left, followed by the abrupt resignation by M. Roszpal, Governor of the stricken area.

POLISH AFFAIRS

Charges in Polish newspapers that the Senate of Danzig, in which the Nazis are influential, was fostering an

.leged plan of Adolf Hitler to trans-:r the headquarters of his outlawed ırmy" to the Free City led during ıe last week of April to renewed ten-on between Danzig and Warsaw. Dr. appee, Polish High Commissioner in ıe Free City, was requested by the enate to deny the rumors, but Polish ıthorities continued to manifest larm over the possibility that the ›untry might find itself with a Hit-rite base at its back.

In pursuance of powers conferred y Parliament on March 30, a Presi-ential decree of early April gave the :inister of Industry and Commerce ictatorial control over the produc-on and sale of coal, including the ›gulation of the monthly output of ıch mine and the formation of car-:ls.

The return of Marshal Josef Pilsud-ci to Warsaw on April 23 from a six eeks' vacation in Rumania and gypt gave rise to fresh rumors of ıpending changes in the government, ut without any demonstrable basis. or two years, the so-called dictator as been a sick man, and it is by no ıeans certain that his active connec-on with politics will continue.

John N. Willys announced in Washington on April 26 that he had resigned the American Ambassadorship to Poland, to which he was appointed about two years ago.

HUNGARIAN FINANCES

By a vote of 93 to 45 the Hungarian Parliament on April 22 extended for one year the extraordinary powers granted the government several months ago to deal with economic difficulties. In view of the fact that the 1932-33 budget had been balanced without making provision for the deficit of the preceding year, a bond issue of $8,250,000 was authorized at the same session to cover it.

GREECE ABANDONS GOLD

The appointment on April 22 of Kriakos Varvaressos, counsel to the Bank of Greece, as Minister of Finance to succeed George Maris was generally understood to foreshadow the country's abandonment of the gold standard, because he had publicly advocated such a step. Expectation was fulfilled three days later when Premier Venizelos announced the change to the Legislature, adding that it was a mistake not to have made the decision at the same time as Great Britain.

The Unfolding of the Kreuger Scandal

By RALPH THOMPSON

ALTHOUGH nearly three months have passed since Ivar Kreuger committed suicide in Paris n March 12, Swedish financial ircles are still nervously attending he ultimate results of the mismangement which has been revealed y his death, and Paris, London and lew York await further revelations by the official investigating commission which is examining the books of the late genius of Swedish industry and finance. In response to many requests, the Swedish Government late in April agreed to extend until May 31 the moratoria for Kreuger & Toll and associated companies. By that time the total effect of the débâcle

may be known in Stockholm and abroad. At present it is possible to say only that the scandal is second to none in recent history.

On April 20 the Swedish Government reported that the general financial situation was satisfactory, but without doubt the country has been severely shaken by the recent disclosures. There is some talk of the necessity of increased taxes to offset the loss of sums heretofore received from the Kreuger companies. Suicides in Sweden have become numerous, and it is said that many individuals have declared themselves unable to meet their private obligations. Various estimates place the loss to Swedish investors in the Kreuger enterprises between 300,000,000 and 500,000,000 kronor ($55,000,000 to $92,000,000).

In New York, the International Match Corporation, controlled by the Swedish Match Company, an affiliate of Kreuger & Toll, went into receivership on April 13. Testimony before the Federal referee in bankruptcy on May 3 disclosed the fact that Kreuger's American bankers had sold to American investors approximately $250,000,000 worth of securities without positive evidence that assets to secure the loans were in existence. In other words, reputable American bankers, because of their confidence in the word of Kreuger and his auditors, had marketed securities based upon the "earnings" of what appear to be fictitious match monopolies in various European countries. On May 4 it developed that certain of these monopolies were actually in existence but were of a nature that rendered their exposure inexpedient.

What this implies is not altogether clear. It has been rumored here and there, however, that Kreuger had advanced huge sums to certain European governments which found themselves in financial straits and had exacted from them in return a monopoly of their match trade. Foreign Minister Hellner of Sweden was reported on May 4 to have said that there was documentary evidence which seemed to show that Kreuger had acquired the Italian match monopoly in return for a State loan. But Premier Mussolini denied the existence of such an agreement, and declared that the dead financier had forged the name of Mosconi, the Italian Finance Minister, to a contract which was never granted. Previous findings show that Kreuger had not been above forgery.

This earlier evidence of Kreuger's double dealing had been brought to light in the middle of April when the commission investigating the assets of Kreuger & Toll in Stockholm found forged Italian Treasury bills amounting to some $80,000,000 in the late financier's safe. These apparently had been printed in Stockholm at Kreuger's order, assigned to the International Match Corporation for $50,000,000 in German bonds, and these latter genuine securities exchanged for certain mining shares which were acceptable collateral at the Riksbank for a cash loan of 40,000,000 kronor (over $7,500,000). Evidently Kreuger's operations during the past years had been so greatly handicapped by the general depression in business and the drop in security prices that he had found it impossible to maintain even a semblance of solvency without recourse to fraudulent methods. Several of his former business associates have been arrested on the charge of complicity in the falsification of certain balance sheets.

THE MEMEL CONTROVERSY

The much-debated case concerning the legality of Governor Merkys's dismissal of Otto Boettcher, President of the Directorate of Memel, is to be brought before the World Court. The four powers signatory to the Memel Convention of 1924 — Great Britain, France, Italy and Japan—have petitioned for an opinion on six specific points, the first and most important

of which involves Governor Merkys's action. From the point of view of Lithuania, the Governor was within his rights, for Boettcher, although a Lithuanian citizen, had conducted negotiations with Germany which were considered detrimental to Lithuanian interests, and Memel is, by the convention, a unit under Lithuanian sovereignty. The semi-official organ of the Lithuanian Government, *Lietuvos Aidas,* on April 14, expressed the opinion that the ultimate purpose of Germany's attempts at "Germanization and intrigue" in the Memel district was not so much to alienate the territory from Lithuania—for Memel itself is of little material importance to Germany—as it was to break down one of the boundaries fixed by the Treaty of Versailles, and by this breach to make more possible the eventual recovery of Upper Silesia, the Polish Corridor and even Alsace-Lorraine. Therefore, although the litigation at The Hague will be nominally between Lithuania and the four great powers, Lithuania feels that Germany will be more than casually interested in the decisions.

Voting for members of the Chamber of Representatives of the Memel Territory took place on May 4 and resulted in a victory for the German parties. Apparently the sympathy of the majority of the inhabitants of the region is not with Lithuania.

DANISH AFFAIRS

Comments upon the State finances of Denmark in a recent issue of the *Danish Foreign Office Journal* are cheerful. When the country was forced to abandon the gold standard late in September, 1931, it was felt that the consequences would be serious indeed, but the fears were apparently exaggerated. The budget account for the fiscal year 1929-30 had shown a comfortable surplus, and that for 1930-31 was more than twice as large. The 1931-32 figures, however, while not yet fully available, promise to be satisfactory, for customs and excise revenues for the first ten months are larger than those of last year. For 1932-33 increased taxes and duties are expected to mitigate the consequences of the general international downward trend. The annual tax burden per inhabitant in Denmark is about $50, compared with $44 in Sweden, $60 in Norway and $72 in Great Britain.

Danish agriculture, so important a factor in the national economy, has found its earning capacity greatly weakened by the fall in commodity values. Butter prices in Copenhagen have dropped 28 per cent in two years, bacon more than 60 per cent, eggs 33 per cent. As a result, the net return to farm capital — which during the post-war decade was over six per cent —was less than one per cent in 1930-31, and for the current year may be non-existent. Yet agricultural exports must be maintained; more than three-quarters of Denmark's total area is employed agriculturally, and in 1931 the sale of the country's farm products abroad represented over 80 per cent of her export trade.

Unemployment in Denmark continues to increase. At the end of March the percentage was 37.5, as compared with 22.1 for the same date in 1931. In the industrial field alone the percentage was 27.7, against 16.7 last year.

PACTS WITH SOVIET UNION

Within the past few weeks two nations of Northern Europe have signed agreements with the Soviet Union for the peaceful settlement of disputes. A Russo-Finnish conciliation treaty was negotiated in Helsinki on April 22 as an appendix to the non-aggression pact signed in January, but it is probable that Finland will not ratify it until corresponding agreements have been reached between Soviet Russia and her other European neighbors. The first of these was arranged on May 5 with Estonia, according to reports from Moscow.

New Curbs on Soviet Labor

By EDGAR S. FURNISS
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THE closing of the great Soviet automobile factory at Nizhni-Novgorod three months after it had been launched upon its career of mass production has raised many conjectures regarding the actual status of Russia's industrial program and the future course of Communist policy. This breakdown of Russian large-scale industry, and especially the steps being taken by the Soviet authorities to redeem the situation, have been interpreted as foreshadowing a radical departure in Communist policy involving a surrender of socialistic objectives. Such is the opinion expressed by Senator Borah in a statement on April 4.

The Nizhni-Novgorod automobile factory is typical of the new Soviet large-scale industry. It is an American-built enterprise constructed at a cost of $119,000,000, to produce to a schedule of 144,000 cars a year. Set in operation on Jan. 1, it was given three months to gather momentum for the beginning of mass production on April 1. When that date arrived, however, the government discovered that the factory was not only unprepared to carry out its production schedule but could not be operated at all under existing conditions. A somewhat similar situation came to light at the same time in many other branches of the new industrial system. The Non-Ferrous Metal Trusts' output was only 50 per cent of the schedule; certain of the recently constructed steel mills were also lagging far behind expectations; the largest and most modern of the coal mines were producing only a fraction of the scheduled output; and so on. In all these cases the enterprises in question are alien importations, designed by foreign engineers and equipped with imported machinery. When construction was completed they were exhibited as proof of the success of the industrialization program, but, brought to the test of operation under Russian management and with native labor, they have failed more or less completely to meet expectations.

The Central Executive Committee of the Communist party, in a proclamation dealing with the breakdown of the Nizhni-Novgorod plant, has laid the blame for these failures upon faulty industrial organization. Such entirely novel enterprises would naturally be handicapped at the outset by the lack of skilled labor and adequately trained technicians; but time and effort can remedy this condition without compromise of basic principle. Significantly the Soviet leaders do not attribute the failure to the inevitable handicaps of infant industry, but to the underlying principles of organization and management upon which these socialistic undertakings have been established. Managers surrounded by government agents with power to interfere at all points in the interests of a political program, it is found, cannot discharge the functions required by modern complex industry. Inevitably they tend to shirk responsibilities and to evade decisions for which, if they fail to attain results pleasing to the political masters, they run the risk of heavy punishment.

Such subordination of economic to political leadership results in timidity and procrastination which are fatal to efficiency. Furthermore, wage earners taught to believe that the industry to which they are attached is operated primarily in their interests, and organized to share in the formation of its policies, are found to be not easily subjected to the discipline and regimentation of the modern large-scale factory. An industry so staffed becomes affected with a peculiar malady for which the Communist leaders have coined the illuminating expression "the interference of democratic meetingism"; that is, the tendency of the labor force to debate the propriety of the orders given by their managers, to insist on industrial government by consent. These are, in reality, two phases of a single problem—how to procure aggressive and effective management in enterprises conducted on a socialistic basis.

The Soviet authorities are dealing with the present emergency with customary vigor. Two of the strongest members of the all-powerful Political Bureau, Commissars Kaganovich and Ordjonikidze, deputed to investigate the failure of the Nizhni-Novgorod plant, returned with a demand for drastic changes in the internal organization of Soviet industry which would endow individual managers with absolute authority and exact immediate and unquestioning obedience from the workers. These changes were decreed at once for all branches of large-scale industry, and the government has been putting them into effect. Local party officials who have interfered unduly with the independence of the department heads of industries have been discharged from their posts, and factory heads are being assured that their command over the internal affairs of their enterprises is absolute. Engineers and technicians are urged to exercise complete freedom of judgment in dealing with problems as they arise. Labor organizations are being deprived of their last remaining rights of interference. In short, Soviet industry is now to be conducted on a basis of managerial dictatorship and labor discipline not surpassed by the most conservative of capitalistic enterprises.

The problem of management in Soviet industry presents two quite different aspects—the question of the authority of the manager over the subordinate personnel of the enterprise, including the labor force, and the relationship of the manager to the agents of the political dictatorship which governs the country. With regard to the former, much progress has been made during the past few years, and still greater progress is promised by the decrees of the past month. But in regard to the second phase of the problem, it is difficult to see how the managers can be freed from subordination to political authority without destroying the program of planned and controlled economy upon which the whole Soviet policy rests. Broad social considerations, formulated and applied by the State, must determine the growth of the industrial structure and the operation of its various parts if the economic development of the country is to be guided along the lines of Communist theory. Despite Stalin's demand for greater managerial freedom a year ago, it is noteworthy that the burden of political supervision has grown heavier rather than lighter during the past months, as is shown by the lengthening record of punishments meted out to unsuccessful managers by their political masters. Unless a real change is effected in the relationship of the industrial to the political officer, the recent decrees will not mean an abandonment of the Communist objective; and the Soviet authorities show no sign of any intention to alter their system at this essential point.

The drive toward greater efficiency therefore affects the internal relationships of industry and especially the

status of the wage earner. This should be understood, for there is widespread misconception of the situation of labor in the Soviet system. Because the Communist program is proclaimed in the interests of the proletariat, labor in Russia is assumed to occupy an enviable position as compared with the working classes of capitalistic countries. This is not so. The one material advantage enjoyed by labor in Russia is the absence of unemployment. In other respects the Five-Year Program has meant an increased burden for the wage earner—tighter discipline, more strenuous and exacting labor, and probably, despite the Soviet statistics of rising money wages, a reduced real income. Moreover, the powers of organized labor have dwindled steadily since the early days of the Revolution; they are less today than those enjoyed by unions in capitalist countries; and they are now to be virtually extinguished by the Soviet authority.

The closing of the Nizhni-Novgorod plant and the resulting outburst of proclamations and decrees demanding increased labor discipline probably did not come by chance on the eve of the meeting of the Ninth Congress of Soviet Labor Federations in Moscow in the middle of April. At the previous national congress three years ago the labor federations possessed substantial powers of control in industry and were led by officers resolved to retain these powers. At that time Stalin drove Tomsky and his associates from office in the Central Council of Labor Federations and persuaded the congress to admit that organized labor in a Socialist State has no right to promote the material interests of its class, but merely the obligation to make industry more efficient. During the past three years the piece-rate system, the principle of diverse wages for workers of different grades and other modern efficiency methods have been introduced to break up the solidarity of labor. However, the practice of curbing the powers of management through labor committees has persisted; and the Soviet authorities now propose to remove these last defenses of organized labor against the exercise of the boss's power over the individual workman. These recent events, therefore, apart from showing that the success of the Five-Year Plan has been exaggerated by the official statistics of industrial construction, are significant mainly as emphasizing the pressure of the Communist program upon the common man in Russia.

SOVIET FOREIGN RELATIONS

New uncertainties have been injected into Soviet foreign relations, both economic and political, by the developments of the past few weeks. The decision of the United States Customs Court on March 18 sustaining the Amtorg Trading Company's appeal against the levying of anti-dumping duties on Soviet safety matches has removed, for the time being, one serious menace to Russia's export trade. Of similar import was Secretary Mills's rejection, on March 24, of an appeal from our coal interests that Russian anthracite be excluded under the provision of the 1930 tariff law, which bans the products of foreign forced labor. The favorable effect of these decisions upon Soviet trade with this country will be insignificant, however, as long as credit conditions remain adverse. This trade has dwindled steadily and is now but a small fraction of what it was a year ago. Moreover, the improved legal status of Soviet trade with this counrty is more than offset by the increasing danger that Great Britain will terminate her trade agreement with the Soviet Union. On April 26 Walter Runciman, President of the Board of Trade, announced that the British Government was seriously considering canceling the existing commercial treaty on the ground that it was operating to the advantage of the Soviet Union alone. Trade statistics for last year show total Russian purchases in England of

£6,000,000 and total sales to England of £34,000,000. This favorable balance of about $100,000,000 in Russia's trade with Great Britain is employed by the Soviet Union to finance essential purchases of industrial materials from other countries. At a time when European countries are finding it increasingly difficult to continue their credit arrangements with the Soviet trade agencies, a loss of this profitable market would be a serious blow to the Soviet Union.

In the sphere of international political relations the Soviet Union has achieved one success through adroit handling of the delicate situation created by the attempted assassination of the Counselor of the German Embassy in Moscow on March 5. The Soviet authorities took steps to free themselves of any blame for this event by promptly arresting, trying and executing the two men guilty of the outrage. Russia's relations with Germany have thus probably been improved rather than injured, but the episode has indirectly caused a new friction in her already uncertain relations with Poland, since that country is accused by the Soviet press of having instigated the plot. [See the article, "The Soviets Prepare for War," on pages 175-179 of this magazine.] More important than these developments, however, is the increasing tension of affairs in the Far East. Thus far Russia and Japan have avoided clashes between their forces in Manchuria, and each country continues to profess peaceful intentions toward the other. But Russia is concentrating additional armed forces on the Manchurian border, and Soviet press opinion grows steadily more embittered toward Japan. On the other hand, as Japan's difficulties in Manchuria become greater with the spread of guerrilla warfare against her army, her suspicion of the Soviet Union increases. This situation is so fraught with danger that an unfortunate incident may suffice at any time to precipitate an open conflict.

Turkey's International Relations

By ALBERT HOWE LYBYER

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TURKEY in the last twenty-five years has suffered as much as any nation from the imperfections of present-day human organization. Fortunately, her internal political organization is among the simplest and best-ordered in the world. The statesmen who guide her destinies are therefore able to consider the international situation disinterestedly. At present they are working earnestly toward improved international relations in several directions—in particular with their Balkan neighbors, with Soviet Russia and with the League of Nations.

The Turkish outlook toward Southeastern Europe has been disturbed by a threat to the plans for a Balkan federation which have been under way for three years. Turkey's hope has been to join a union of political cooperation and economic fellowship with Bulgaria, Greece, Albania, Rumania and Yugoslavia. Preliminary conferences have been held and studies have been made for the removal of the many obstacles which confront such a union. This plan has been seriously threatened by the proposal of a Danubian federation, which would unite Rumania and Yugo-

slavia with Austria, Hungary and Czechoslovakia. It seems impossible that Rumania and Yugoslavia could be included in both a Balkan and a Danubian union. As Rumania and Yugoslavia feel somewhat superior toward the nations southeast of them, they would undoubtedly, if left with a free choice, enter the proposed Danubian federation. At the moment that federation seems very distant. If it fails, then the Balkan federation will again have an opportunity for realization. If the depression continues for some years, possibly the refractory wills of all the peoples of Europe, or even of the world, will be so far subdued as to consent to remove political and economic barriers in a great union for the good of all.

Prime Minister Ismet Pasha and Foreign Minister Tevfik Rushtu Bey left Istanbul on April 24 for a three weeks' visit to Soviet Russia. Accompanied by many important Turks, they traveled to Odessa on a steamer placed at their disposal by the Soviet Government, and thence proceeded to Moscow, where they were received with every manifestatior of friendliness. The Turkish press recalled how Soviet Russia had helped the new Turkey in its days of struggle for life. It was expected that the Turkish travelers would study Russian educational and industrial methods with a view to adopting such as might be suitable. Turkish statesmen and journalists have been careful to say that the increase of friendliness with Soviet Russia is not to be interpreted as diminishing in the least the warmth of their relations with other countries.

Two weeks before setting out for Russia, Tevfik Rushtu Bey, while addressing the disarmament conference at Geneva, hinted that Turkey might look favorably upon an invitation to join the League of Nations. Nine years ago, while discussing peace at Lausanne, the Turks considered joining the League, but are believed to have stayed out partly because their desire for a permanent seat on the Council could not be granted. A year ago the Turks sought a semi-permanent seat. Possibly because the Council has lost importance through its management of the Far Eastern situation, Turkey is now disposed to make no stipulations.

The Turkish budget is to be balanced at about $86,000,000, a reduction of $8,000,000 from that of 1931. Even to meet the reduced budget, a serious increase in taxation is necessary. Small incomes will be obliged to bear a 30 per cent levy, while incomes over $300 per month will pay 43 per cent.

The Turkish Central Bank was opened on Jan. 1, 1932. It is proceeding to withdraw existing paper money from circulation and issue new notes with a backing of gold and foreign gold exchange. The old currency was irredeemable, but was maintained at nearly a fixed value by its unchanging quantity. On Jan. 1 about 159,000,000 Turkish pounds [the Turkish pound is worth about 47 cents] was in circulation. About 10,000,000 Turkish pounds in new notes have replaced a similar amount of the old notes, thus establishing a gold backing of approximately 6 per cent.

The Turkish balance of trade during January and February showed the effect of the system of quotas. Imports have been reduced to less than half the figure of the two previous years, while exports have suffered much less. The returns for the first two months of 1932 show a favorable balance of about $4,000,000, or 28 per cent of the total exports.

QUIET IN PALESTINE

The principal Moslem feasts of the year coincided in the third week of April with the Jewish Passover, and precautions were taken in Palestine lest serious clashes occur. The undercurrents of hostile feeling are now particularly strong between Arabs and Jews, although there is little public agitation on the part of either

group. The government permitted only processions which had been held regularly by the Moslems of Jerusalem, Hebron and Nablus, to march with flags to the so-called Tomb of Moses on the Jericho Road. The Moslems of Ain Karem petitioned that they also might be allowed a procession. The request was refused, but young men from the village endeavored to march. This led to a minor clash with the police, in which a few persons were injured. Otherwise the critical days passed without violence.

The ill-feeling of Arab toward Jew has been illustrated by a boycott of the fair held in Tel Aviv. The Mayor of the city declared that the fair, which was the third held there, was in celebration of the fiftieth anniversary of the founding of the Zionist colonies in Palestine. The Arabs, on the other hand, believing that the object of the fair was to demonstrate the superiority of Zionist industry over that of the Arabs, posted placards appealing for a boycott and resented their destruction by government authority.

In the British House of Commons on April 22 Colonel Josiah Wedgwood accused the British officials in Palestine of criticizing, cramping and disappointing the Jews, and presented again his opinion that Palestine should become a "seventh dominion." This idea involves the conversion of the British mandate over Palestine into a British imperial possession. A fundamental objection is that the consent of the Arab majority can hardly be expected, because such a plan contemplates permanent separation of their fortunes from those of the rest of the Arab world.

REVOLT IN IRAQ

The army of Iraq, aided by the British Royal Air Force, fought during April in mountainous country against the Sheik of Barzan, who has been attempting to maintain his independence. This repeats substantially the type of operations carried on against Sheik Mahmud, from September, 1930, to April, 1931. Sheik Mahmud crossed from Persia and seized the police post at Tenjvin. Local tribesmen drove off the invaders before Iraqi troops arrived. In the middle of Winter the Sheik took Surdash. Air forces enabled his flank to be turned and again he was driven out. He proceeded to the wild country of Kara Dagh, where the local tribes supported him. Troops and airplanes had for a time little effect. But in April the Sheik was forced to give up the contest. He crossed into Persian territory and sent word that he would surrender. In May, 1931, he accepted a life pension with permission to reside with his family at a place designated by the government.

On April 21 the government granted a concession to the British Oil Development Company for the exploitation of oil lands on the west side of the Tigris. The control of the company must remain in British hands.

The export trade of Iraq has benefited greatly by the removal of the pound sterling from the gold standard, and the consequent decline in value of the rupee, which continued to be the coin of Iraq until April 1, 1932. The date crop was disposed of to America and Europe at much increased prices over last year. Grain also rose in price from 30 to 40 per cent, and stores were emptied. Wool and skins did less well, but the government was, however, able to balance the budget without new taxation.

On April 1 a new currency based directly upon the pound sterling was introduced in Iraq. The unit is the dinar, equivalent to the pound sterling, divided into 1,000 fils. By the official rate of conversion one rupee is equal to 75 fils. This valuation would evidently be about 36 cents if the pound sterling had retained its gold value, but actually it is about 27 cents. Thus Iraq, Egypt, Palestine and India are linked with the varying fortunes of the English monetary unit.

The Armistice at Shanghai

By HAROLD S. QUIGLEY

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AN official end of the undeclared war between China and Japan at Shanghai was reached on May 5 when Mamoru Shigemitsu, Japanese Minister to China, General Kenkichi Uyeda of Japan, and Quo Tai-chi, Chinese Vice Foreign Minister, who were at the time all patients in the Fu-ming Hospital, Shanghai, signed an agreement for an armistice. This accord between the two nations was attained after nearly a month of inactivity on the part of the principal negotiators, but followed directly upon the passage on April 30 of a resolution by the Assembly of the League of Nations which proved to be acceptable to the disputants.

Chinese authorities at Shanghai on April 9 had given up their efforts to reach a basis for an armistice and had referred the whole problem to the League's commission of nineteen at Geneva. This commission, in cooperation with representatives of the disaffected nations and with the material assistance of Sir Miles Lampton, British Minister to China, made known its recommendations to the League Assembly, which on April 30 adopted the resolution already mentioned. Under its terms the Japanese were to withdraw from the Shanghai area in the near future—Japan's delegate insisting upon a free hand for his country in deciding when conditions should justify complete withdrawal. The mixed international commission at Shanghai was authorized to call attention to any negligence of Japan in complying with the terms of the armistice. The Assembly was to resume discussion of the problem if necessary. The resolution affirmed definitely that the Assembly resolution of March 4, which was taken unanimously, could be satisfied only by the complete withdawal of Japanese forces from the Shanghai area.

The agreement of May 5 was regarded by Japanese officialdom as a mere stop-gap, for it was felt that the tenure of the existing Chinese Government was precarious and that the treaty would be seized upon as a pretext for General Chiang Kai-shek's enemies to start a new civil war. The Japanese expected that a new régime would probably repudiate the agreement because a time limit for Japanese military evacuation was not specified. At any rate a storm of Chinese denunciation of the peace pact immediately arose, according to Shanghai reports of May 6. The air was thick with charges that Chiang Kai-shek's government had "betrayed the nation," while the orders by the Nanking Government for the immediate suppression of the boycotts and other anti-Japanese movements in China were met with protests and petitions. Quo Tai-chi had been attacked and beaten by a mob of Chinese students shortly before he signed the agreement with Japan, and the following day he sent to Nanking his resignation as Vice Minister of Foreign Affairs. Earlier in the week, on May 3, Chen Chia-tang, the Cantonese General, had seized control of the fleet and air forces at Canton and there were reports of hostilities at Whampoa between his forces and a regiment of marines loyal to Nanking.

That the truce agreement was

signed in the Fu-ming Hospital was due to the fact that on April 29 Kim Fung-kee, a Korean, threw a bomb into a group of Japanese military and civilian officials in Hongkew Park, Shanghai. Dr. T. Kawabata, president of the Japanese Residents' Association of Shanghai, was killed and Minister Shigemitsu, Consul General Murai, Generals Shirakawa and Uyeda, Admiral Nomura and others were seriously wounded. The attacker was arrested, as subsequently were other Koreans thought to be involved in the affair as members of a group styling itself a provisional republican government of Korea.

EVENTS IN MANCHURIA

In Manchuria (or Manchoukuo, as the Japanese now call it) the League of Nations commission, composed of Lord Lytton (Great Britain), chairman, Major Gen. Frank R. McCoy (the United States), Count Luigi Aldrovandi-Marescotti (Italy), Henri Claudel (France) and Dr. Albert Schnee (Germany) and accompanied by Dr. Wellington Koo as Chinese assessor, reached Mukden on April 2 and began its investigations. A few days previously, on April 11, Marshal Chang Hsiao-liang, former dictator of Manchuria, had told the commission in Peiping that Japan's intervention was prompted not by China's disunity but by her growing strength due to the progress of nationalism. Dr. Koo entered Manchuria at great peril, since the puppet government of Manchoukuo had refused to admit him. However, protection was promised him by the Japanese Government within the railway area, since the League commission declared it would not visit Manchuria unless Dr. Koo were permitted to accompany it. The government of Manchoukuo issued a warrant for Dr. Koo's arrest on the ground of his relations with Marshal Chang Hsiao-liang but decided on May 6 to withdraw it on the understanding that he would refrain from political activities. Japan's control of Regent Pu Yi's régime justified a genral understanding that the initiative in opposing the entrance of Dr. Koo had come from Japan.

A correspondent who stated on April 26 that over 600 Japanese were acting as advisers to the so-called Manchurian Government described the Changchun Administration as "a mere makeshift, shining with a sticky, undried coating of Japanese lacquer." Contacts by foreigners with the Chinese officials were impossible except in the presence of Japanese advisers and interpreters. Revenues of the government were interfered with by the routing of through traffic on the Chinese railways to the east and west of the South Manchuria line over the latter railway to Dairen. Thus the problem of "parallel lines" was summarily solved, at least temporarily.

General Ma Chan-shan justified himself in Chinese eyes by repudiating on April 14 his affiliation with the Japanese. He declared from a safe distance that he had only appeared to join in Japanese schemes in order to learn their full import and that he would make a full report of his findings to the League commission. Since Ma spoke from the Russian town of Blagovestchensk, suspicions were aroused that he was involved with the growing Soviet military establishment across the Amur. He was replaced in the Governorship of Heilungkiang by General Cheng Chih-yuan.

The Japanese reply to the League's inquiry concerning the execution of pledges for withdrawal of troops into the railway area in Manchuria was published at Geneva on April 12. It reaffirmed the necessity of keeping troops outside the area, asserted that disorder was being fomented by Marshal Chang Hsiao-liang and expressed the hope that the creation of the new Manchoukuo Government would result in the restoration of order. Minister of War Araki in Tokyo, openly de-

fying the League, the United States and Soviet Russia, proclaimed that nothing they might do would turn Japan from her plan to make a paradise out of Manchuria.

Severe fighting continued throughout Central Manchuria between the Japanese forces upholding Pu Yi and the survivors of the former régime of Marshal Chang Hsiao-liang. Two Japanese brigades pushed the Chinese forces out of Fangchen, east of Harbin, on April 5. Another column entered the Chientao region from Korea to engage the army of General Wang Teh-lin, which was holding a large number of Japanese as hostages. Over 100 casualties were sustained by Japenese troops returning to Harbin when their train was wrecked. A Foreign Office spokesman in Tokyo ascribed the wreck to Russian Communists, while a writer in the Soviet semi-official journal *Pravda* accused Japan of inciting White Russians to such crimes in order to provoke the Soviet Union to cause a rupture that would give Japan a freer hand to subdue Northern Manchuria. Japanese military experts estimated the Russian concentration on the Siberian-Manchurian border at 70,000 men.

Troops of Manchoukuo were unable or unwilling to maintain by force positions east of Harbin, in the vicinity of Imienpo and Fang-cheng, from which their Japanese sponsors retired after expelling the Chinese troops hostile to the new Manchurian régime. On April 20 the Chinese Eastern Railway eastward of Harbin was again in control of Chinese loyalists. Picturesqueness was added to their efforts by a Chinese girl who, at the head of a thousand men, attacked Manchoukuo forces and drove them back. Manchoukuo troops required close association with Japanese forces to ensure their loyalty to an unpopular cause. Service on the Chinese Eastern Railway between Harbin and Changchun and east of Imienpo was cut on April 22. Japan was maintaining four full divisions of troops in Manchuria at that date. On April 27 three Japanese brigades moved by rail and river into Northeast Manchuria against Chinese forces estimated to number 20,000 men. A two-day battle, with neither side victorious, occurred at Hailin, on the Chinese Eastern Railway. The Japanese entered Hailin on April 28.

A serious threat by anti-Manchoukuo troops to envelop the town of Tunhua, terminus of the Kirin-Tunhua railway, compelled General Tamon's division to entrain for that place on May 1. Lesser Japanese forces were engaged in the Tunghua district, east of Mukden. The Japanese were baffled by the ubiquity of their opponents, who, like the Irishman's flea, were here today and there tomorrow. Bloody struggles occurred along the Hulan-Hailun railway north of Harbin.

Count Y. Uchida, president of the South Manchuria Railway, resigned early in April, ostensibly because the Japanese Government, composed of members of the Seiyukai, had dismissed T. Eguchi, vice president of the line, who, with Uchida, had been appointed under the preceding Minseito Ministry. Kamei Hatta, a Seiyukai man, was appointed to Eguchi's position. At Premier Inukai's request for reconsideration, Count Uchida agreed to remain until after the visit of the League's commission of inquiry. The army was said to be insistent upon the retention of Count Uchida, though the office has been treated as a political plum.

Osaka and Tokyo financiers decided to form the Manchuria Development Company at Mukden, capitalized at 200,000,000 yen ($66,400,000 at current exchange) to supply loans to Manchurian Chinese for the construction of water-works and for developing industries and agricultural enterprises. Plans were in process for a large trade exhibition at Changchun during the coming Summer. British business men complained of the smug-

gling of sugar and Americans protested regarding oil smuggling and unfairness in awarding public utility contracts.

CHINESE INTERNAL POLITICS

Opposition to the Kuomintang, the national party of China, was expressed in the refusal of sixty out of Shanghai's seventy-two delegates and of the entire North China delegation to attend a national emergency conference, which convened from April 7 to 12 at Loyang. North China leaders declared that they were seceding from the Kuomintang in protest against the dictatorial policy of the party and its failure to deal satisfactorily with domestic and foreign difficulties, and were forming a new national party. The Shanghai delegates demanded cessation of government maintenance of the Kuomintang and refused to pay homage to Dr. Sun Yat-sen's portrait.

Contemporaneously, General Han Fu-chu, Governor of Shantung province, declined to continue contributions from provincial funds to the central exchequer, defending his action as necessary in order to pay arrears owing to his own 70,000 troops. He also challenged the Kuomintang dictatorship. Officials of the National Government were disturbed by Han's defection, fearing it portended an alliance with that perennial objector, General Feng Yu-shiang. Governor Han has prevented boycotting of Japanese goods throughout Shantung. He released control of the central taxing bureaus upon receipt of national funds sufficient to pay his troops.

The Council of the International Settlement at Shanghai has voted against increasing taxes to pay the costs of protecting the area during the fighting, which amounted to $1,200,000 silver. Chinese taxpayers threatened to resist payment on the score that parts of the Settlement had not been protected.

"Communist" armies were reported to be menacing Changchow, capital of Fukien, on April 14. Changchow is situated near the coastal city of Amoy and 128 Americans were living within the Amoy consular district. Numbers of foreigners took refuge in the International Settlement on Kulangsu Island, off Amoy, and American and other naval craft were sent to protect them. In spite of strong resistance by Kwangtung forces, the "Communist" army, under General Sun Lieng-chung, former Kouminchun commander, captured Changchow on April 20. General Sun denied Communist leanings, asserting that he was out to save the Kuomintang and the nation. Large Cantonese forces went to the rescue of Amoy and deflected Sun's army northward.

FASCISM IN JAPAN

A National Socialist party, with principles similar to those of the German Nazis, was founded in Tokyo on April 15 by former members of the Shakai Minshuto, or National Democrats. Its leader is Katsumaro Akamatsu, who expects to attract members from a number of the existing labor and peasant organizations. The party aims to give the labor movement a patriotic spirit and to turn younger men from reactionary violence to support of a Socialist program in which loyalty to the dynasty will be the primary tenet.

Governmental efforts in Japan to control the price of silk by organizing a national syndicate of silk-producing interests were terminated unsuccessfully in April with the sale of over 100,000 bales of raw silk to an American silk association at the lowest price ever recorded in Tokyo. The government lost 50,000,000 yen by the failure of the control scheme and further losses were sustained by bankers and reelers.

Text of New Spanish Constitution

THE Constitution of the Spanish Republic (the full text of which, in a translation made by Pedro Villa Fernández and Warner Moss of New York University, appears on this and the following pages) was proclaimed on Dec. 9, 1931, by the Constituent Cortes. It is not only the newest of the score or so of post-war Constitutions, but it is surprisingly modern and up-to-date, placing Spain in the very first rank of contemporary democracies.

The frame-work of government is extremely simple. It consists of a one-chamber Parliament—a Cortes elected for four years by universal, equal, direct and secret vote of all citizens regardless of sex who have reached the age of 23, a President elected for six years by the members of the Cortes sitting jointly with an equal number of popularly elected delegates. It functions chiefly through a Prime Minister and his associates in the Cabinet in whom and the Cortes are vested very large powers. Indeed the provisions for the extension of the functions and powers of the government over the social and economic life of the nation constitute one of the striking features of the Constitution. Its aim is to make Spain a country of equal opportunity for all, devoid of class distinction, with a fair division of wealth, and emphasis upon the principle of social responsibility.

The break with the Old Spain appears conspicuously in the disestablishment of the church and the assertion of the complete freedom of religion; in the secularization of education; in the provision for divorce by mutual consent or the request of either party upon due cause; the abolition of titles and the limitation of the power of the military. Natural resources and wealth are declared subject to the economic needs of the nation and the government is given the right to intervene in the direction and control of industry. Public service and natural monopolies may be nationalized. The spirit of internationalism is strongly reflected in the renunciation of war as an instrument of national policy, and in the prohibition of all war, save with the sanction of the League of Nations. In the matter of "autonomous regions" the Constitution, while asserting the supremacy of the National Government as an "integral state of federative tendencies" nevertheless marks a decided departure from the usual Latin model of the unitary or highly centralized State, best exemplified in France.

WILLIAM E. LINGELBACH.

Spain, by Right of Its Sovereignty, and Represented by the Constitutional Cortes, Decrees and Sanctions This Constitution:

PRELIMINARY CHAPTER—GENERAL PROVISIONS

Art. 1. Spain is a democratic republic of workers of all classes which is organized as a régime of liberty and justice. The powers of all its organs emanate from the people. The Republic constitutes an integral State compatible with the autonomy of municipalities and regions. The flag of the Spanish Republic is red, yellow and purple.

Art. 2. All Spaniards are equal before the law.

Art. 3. The Spanish State has no official religion.

Art. 4. Castilian is the official language of the Republic. It is the duty of every Spaniard to know it, and it is his right to use it, regardless of the rights which the laws of the State may concede to the languages of provinces or regions. Excepting as may be provided by special laws, no one will be required to know or to use any regional language.

Art. 5. The capital of the Republic shall be Madrid.

Art. 6. Spain renounces war as an instrument of national policy.

Art. 7. The Spanish State will respect the universal rules of international law, incorporating them into its positive law.

CHAPTER I—NATIONAL ORGANIZATION

Art. 8. The Spanish State within the irreducible limits of its present territory shall be integrated by the union of municipalities into provinces, and by regions constituting autonomous governments. The sovereign territories of Northern Africa shall be organized into autonomous States in direct relation to the central power.

Art. 9. All the municipalities of the Republic shall be autonomous in matters within their competence, and they shall elect their governing bodies *(Ayuntamien-*

tos) by equal, direct, secret and universal suffrage, except in cases of open meeting. Mayors shall be chosen by direct election of the people or by the governing body.

Art. 10. The provinces shall be composed of municipalities united in accordance with a law which shall determine their government, their functions and the manner of electing the representatives of their political and administrative aims. The provinces shall retain under their jurisdiction the same municipalities of which they are at present formed, except for modifications properly authorized by law.

Each of the Canary Islands shall form an organic unit provided with an insular council representing its own interests, with functions and administrative powers equal to those assigned to the provinces by law. The Balearic Islands may elect a similar form of government.

Art. 11. If one or several contiguous provinces with common historical, cultural and economic characteristics agree to organize into an autonomous region to form a political and administrative unit within the Spanish State they shall submit a charter as provided for in Article 12. In that charter they may be granted either in whole or in part the powers set forth in Articles 15, 16 and 18 of this Constitution, without prejudicing, in the latter case, their right to be granted all or part of the remaining powers by the same procedure established under this Constitution. The condition of contiguity is not required in the case of insular territories. Once the charter is approved it shall be the basic law of the political and administrative organization of the autonomous region and the Spanish State shall recognize it and uphold it as an integral part of the national law.

Art. 12. In order to approve the charter of an autonomous region the following conditions are required: (a) That it be proposed by the majority of its governing bodies, or at least by those whose municipalities comprise two-thirds of the registered voters of the region; (b) that it be accepted according to the procedure prescribed by the electoral law, by at least two-thirds of the registered voters of the region. If the plebiscite be negative, the proposal for autonomy may not be renewed until after five years; (c) that the Cortes should approve it. The regional charters shall be approved by the Cortes (provided they conform with this chapter and do not contain any provisions contrary to the Constitution or to the organic laws of the State in matters not transferable to the regional authority, and without prejudice to the authority which Articles 15 and 16 grant to the Cortes).

Art. 13. In no case shall a federation of autonomous regions be permitted.

Art. 14. Powers of legislation and direct execution relating to the following matters are exclusive to the Spanish State:

1. The acquisition and loss of citizenship and the regulation of constitutional rights and duties.

2. The relation between the churches and the State and the regulation of denominations.

3. Diplomatic and consular representation, and, in general, the representation of the State in external relations; declaration of war; treaties of peace; government of colonies and protectorates and all kinds of international relations.

4. Defense of public safety in conflicts of supra-regional or extra-regional character.

5. Maritime fishing.

6. The State debt.

7. Army, navy, and national defense.

8. Tariff regulation, commercial treaties, customs houses and free movement of goods.

9. Registration of merchant ships, their dues and rights, and the lighting of the coasts.

10. Control of extradition.

11. Jurisdiction over the Supreme Court excepting the powers granted to autonomous regions.

12. The monetary system, fiduciary issues and the regulation of general banking.

13. General control of communications, air lines, postoffices, telegraphs, submarine cables and radio communication.

14. Use of water power and hydro-electric plants in cases where water and electric power pass beyond the boundaries of an autonomous region.

15. Supervision of sanitation when extra-regional interests are affected.

16. Frontier police, emigration, immigration, and control of aliens residing in the country.

17. General Treasury of the State.

18. Regulation of the manufacture and sale of arms.

Art. 15. The Spanish State shall have the power to legislate and, as the Cortes thinks fit, the autonomous regions may have the power of administration in the following matters:

1. Penal, social, mercantile, and procedural legislation; and in regard to civil legislation, the form of marriage, the control of deeds and mortgages, the bases of contractual obligation and the regulation of property, real and personal, and statutes relating to ceremonies in order to coordinate their application and settle conflicts between the different civil enactments of Spain. The administration of the social laws shall be supervised by the government of the Republic, in order to insure their strict enforcement as well as that of the international treaties that may be involved.

2. Legislation relating to educational and industrial property.

3. Efficacy of official communication and public documents.

4. Weights and measures.

5. Control of mines and minimum control necessary over mountains, agriculture and cattle-raising, as far as these may affect wealth and the coordination of national economy.

6. Railroads, highways, canals, telephones and principal ports, the State retaining the right of reversion and supervision of railroads, and such direct administration as it may deem necessary.

7. Legislation relating to regional sanitation as far as necessary.

8. Control of social and general safety.

9. Legislation relating to water rights, water hunting and river fishing.

10. Control of the press, associations, meetings and public spectacles.

11. Right of expropriation, reserving always the power of the State to carry out for itself its own public works.

12. Socialization of natural resources and economic enterprises, defining by legislation the property rights and the powers of the State and the regions.

13. Civil aviation and radio broadcasting.

Art. 16. In matters not covered by the two foregoing articles, exclusive legislation and direct administration may be within the powers of the autonomous regions, according to the provisions of the respective charters approved by the Cortes.

Art. 17. The autonomous regions shall not discriminate between their natives and other Spaniards.

Art. 18. All powers not explicitly granted in the charter of an autonomous region shall be considered as reserved to the Spanish State; but the latter may by law delegate or transfer these powers.

Art. 19. The Spanish State may by law determine the basis on which the distribution of legislative powers of the autonomous regions shall be adjusted, should this be required for harmony between local interests and the general interest of the Republic. The necessity for such action must first be considered by the Court of Constitutional Guarantees. Such a law shall require the approval of two-thirds of the Deputies of the Cortes. On matters regulated by a fundamental law of the Republic the regions may enact accessory laws and ordinances.

Art. 20. The laws of the Republic shall be administered in the autonomous regions by their respective authorities, except those laws the application of which falls under special departments or in which contrary provision is made, but always in accordance with this chapter. The government of the Republic shall have the right to make rules for the administration of its laws, even in cases in which such administration belongs to the regional authorities.

Art. 21. The right of the Spanish State shall prevail over that of the autonomous regions in everything that is not exclusively reserved to the latter by their respective charters.

Art. 22. Any province which is an autonomous region or part of one may renounce its form of government and return to the status of a province directly linked with the central government. This step can be taken only on its proposal by a majority of the municipal governing bodies and on its approval by at least two-thirds of the registered voters of the province.

CHAPTER II—NATIONALITY

Art. 23. The following are Spaniards: (1) Those born of a Spanish father or mother either in or outside Spain; (2) those born in Spanish territory of foreign parents provided they choose Spanish nationality in the form determined by law; (3) those born in Spain of unknown parents; (4) foreigners who obtain naturalization papers and those who, without them, obtain the rights of citizenship in any town of the Republic under the terms and conditions prescribed by law; (5) a foreign woman who marries a Spaniard shall retain the citizenship of the country of her origin or she shall acquire that of her husband, prior option being regulated by laws in accordance with international treaties.

The procedure whereby persons of Spanish origin living in other countries may obtain Spanish citizenship shall be established by law.

Art. 24. Spanish citizenship is lost in the following cases: (1) On entering the military service of a foreign power without permission from the Spanish State or on accepting from a foreign government a position which involves the exercise of authority or jurisdiction; (2) on voluntarily acquiring the citizenship of a foreign country. On the basis of effective international reciprocity and by means of requirements and procedures fixed by law, citizenship shall be granted to the natives of Portugal and Spanish-American countries, including Brazil, should they request it, provided that they reside in Spanish territory, without losing or modifying the citizenship of their country of origin. In such countries, if not legally forbidden, and even if the rights of reciprocity are not recognized, Spaniards may be naturalized without losing the citizenship of their country of origin.

CHAPTER III.—RIGHTS AND DUTIES OF SPANIARDS

PART I—INDIVIDUAL AND POLITICAL GUARANTEES

Art. 25. Race, descent, sex, social class, wealth, political ideas or religious beliefs shall not be considered the basis of privilege in public law. The State shall not recognize distinctions or titles of nobility.

Art. 26. All religious denominations shall be considered as associations subject to special laws. The State, the regions, the provinces and the municipalities shall not maintain or favor or financially aid the churches and the religious associations and institutions.

A special law shall provide for the total extinction within a period not exceeding two years of State grants to the church.

Those religious orders the rule of which requires in addition to the three canonical vows a special vow of obedience to an au-

thority other than that of the State are declared dissolved. Their property shall be nationalized and used for charitable and educational purposes.

The other religious orders shall be regulated by a special law enacted by the constituent Cortes which shall incorporate the following provisions: (1) Dissolution of those orders which, by reason of their activities, endanger the safety of the State; (2) registration of the orders which are permitted to continue in a special register under the jurisdiction of the Department of Justice; (3) inability to acquire and hold, either themselves or through an agent, more property than that previously considered sufficient for their lodgings and the direct fulfillment of their particular purposes; (4) prohibition of the practice of industry, commerce or teaching; (5) submission to all the tax laws of the country; (6) obligation to render to the State annual accounts of the investment of their wealth in relation to the aims of the order.

The property of religious orders may be nationalized.

Art. 27. Freedom of conscience and the right to profess and practice freely any religion are guaranteed in Spanish territory, provided public morals are safeguarded. Cemeteries shall be exclusively under civil jurisdiction. There shall be in them no separation of sections for religious reasons. All denominations may observe their rites privately. Public celebration of the rites of a sect in each case must be authorized by the government. No one shall be compelled to declare officially his religious beliefs. Religious belief or position shall not affect political or civil status, except as is provided in this Constitution for the nomination of the President of the Republic or the appointment of the President of the Council of Ministers.

Art. 28. Only those acts declared punishable by law previous to their perpetration shall be punished. No one shall be judged except by a competent judge in accordance with legal proceedings.

Art. 29. No one shall be imprisoned except in case of crime. Every person arrested shall be freed or delivered to judicial authority within twenty-four hours after arrest. Every arrest shall be nullified or the person shall be imprisoned within seventy-two hours after having been delivered to a qualified judge. Any decision reached shall be by judicial decree and the interested party shall be notified within the above mentioned period. Authorities whose orders cause the infraction of this article and agents and public officials who execute said orders with knowledge of their illegality shall be held responsible. Action to punish these infractions shall be public, without the necessity of giving bail or warning of any kind.

Art. 30. The State may not subscribe to any international agreement or treaty which may have as its object the extradition of political or social offenders.

Art. 31. Every Spaniard may move freely within national territory and fix his residence and home without being compelled to move except by virtue of a judicial decision. The right to emigrate or immigrate is recognized and is not subjected to any other limitations than those established by law. A special law shall determine the guarantees for the deportation of foreigners from Spanish territory. The domicile of every Spaniard or foreigner residing in Spain is inviolable. No one shall enter without a warrant from an authorized judge. The examination of papers and other effects shall be carried out always in the presence of the interested party or a member of his family, or, if this is not possible, in the presence of two neighbors of the same town.

Art. 32. The inviolability of correspondence in all its forms is guaranteed, except when judicial decrees to the contrary are issued.

Art. 33. Every person is free to choose his profession. Liberty of industry and commerce is recognized, except for limitations that the law may impose for social and economic reasons of general interest.

Art. 34. Every person has the right to express freely his ideas and opinions, making use of any means of diffusion without subjecting himself to prior censorship. In no case shall an edition of books or newspapers be suppressed except by order of an authorized judge. No newspaper shall be suspended except by unappealable judgment.

Art. 35. Spaniards, individually and collectively, shall have the right to petition the legislative, executive and judicial branches of the public power and the authorities. This right shall not be exercised by force of arms.

Art. 36. Citizens of both sexes over the age of 23 years shall have equal voting rights in accordance with the laws.

Art. 37. The State may compel each citizen to appear in person for civil and military service as fixed by law. Parliament, at the request of the government, will fix the military contingent every year.

Art. 38. The right of peaceable assembly without arms is recognized. A special law shall regulate the right of outdoor meetings and parades.

Art. 39. Spaniards shall have the right freely to form associations and syndicates for the diverse purposes of life in conformity with the laws of the State. Syndicates and associations are obliged to enroll in the proper public register as fixed by law.

Art. 40. All Spaniards without distinction as to sex have the right to public employment or office according to their merit and capacity, unless disqualified by law.

Art. 41. Appointments, payments during leaves of absence, and retirement pensions of public officers shall be made ac-

cording to law. Their irrevocability is guaranteed by the Constitution. Dismissal from service, suspension and transfer shall take place only for justified causes provided by law. No public officer shall be molested or persecuted because of his political, social or religious opinions. If a public officer during the exercise of his office violates his duties with prejudice to a third party the State or the corporation which he serves shall be an accessory in regard to the resulting damages as the law may determine. Civil employes may form professional associations if they do not interfere with the public service. The professional associations of employes shall be regulated by a law. Such associations may appeal to the courts against decisions of superiors that may violate the rights of their members.

Art. 42. The rights and guarantees set forth in Articles 29, 31, 34, 38 and 39 may be suspended totally or partially in all the national territory, or part of it, by a decree of the government should it be required for the safety of the State in case of manifest and imminent danger. If the Cortes should be in session, it shall pass upon the suspension agreed upon by the government. If the Cortes should be closed, the government shall convoke them for this purpose within a maximum term of eight days. In the event that they are not convoked they shall automatically meet on the ninth day. The Cortes may not be dissolved before reaching a decision while the suspension of guarantees exists. If the Cortes should be dissolved, the government shall immediately notify the Permanent Committee established by Article 62, which shall, in dealing with the situation, have the same powers as the Cortes. The suspension of constitutional guarantees shall not exceed thirty days. Any prorogation shall require a previous decision by either the Cortes or the Permanent Committee when the Cortes is dissolved. During the suspension, in the territory to which it applies, the law of public order shall govern. In no case shall the government banish or deport Spaniards nor exile them for a distance of more than 250 kilometers from their domiciles.

PART II—FAMILY, ECONOMY AND CULTURE

Art. 43. The family is under the special guardianship of the State. Marriage is based on the equality of rights for both sexes and it may be dissolved by mutual agreement or on petition of either party when, in this case, a just cause is alleged.

Parents are obligated to feed, help, educate and instruct their *children*. The State shall see that these duties shall be discharged and binds itself with the responsibility for their execution. Parents have the same duties to children born out of wedlock as to those born in wedlock. The civil laws shall regulate the investigation of paternity. The legitimacy or illegitimacy of children or the civil status of the parents shall not be declared in writing either in the registry record or in any other record of parentage.

The State will lend assistance to the sick and aged and to the protection of maternity and infancy, adopting the Declaration of Geneva, or table of rights of the child.

Art. 44. All the wealth of the country regardless of its ownership is subordinate to the interests of national economy and it affects the maintenance of public obligations in accordance with the Constitution and the laws. The ownership of all types of property may be the object of forced expropriation in the interest of social welfare by means of an adequate indemnification, unless a law approved by an absolute majority of the Cortes shall make contrary disposition. The socialization of property may be carried out under the same conditions. Public services and enterprises which affect the common interest may be nationalized in such cases as social necessity may require. The law permits the State to participate in the development and coordination of industries and enterprises should this be required in the regulation of production and the interests of national economy. In no case shall property be confiscated.

Art. 45. All the artistic and historical wealth of the country, regardless of ownership, constitutes the cultural treasure of the nation, and it shall be under the guardianship of the State, which shall have the power to forbid its exportation and transference and to decree the legal expropriations which may be deemed proper for its preservation. The State shall organize a register of historical and artistic wealth and shall insure its careful custody and attend to its perfect conservation. The State shall also protect places noted for their natural beauty or for their recognized artistic or historical value.

Art. 46. Work in its diverse forms is a social obligation and shall enjoy the protection of the laws. The Republic shall assure each worker the conditions necessary for suitable existence. Social legislation shall regulate: questions of health, accident, unemployment, old age, disability, and death insurance; the labor of women and the young, and especially the protection of maternity; the number of hours of work and the minimum income of individuals and families; yearly vacations with pay; the condition of the Spanish worker in foreign countries; cooperative societies and associations; the economic and legal relation of the factors which integrate production; the participation of workers in the administration, direction, and benefits of enterprises and everything that may affect the welfare of the workers.

Art. 47. The Republic shall protect the farmer and to this end shall legislate, among other matters, concerning such family patrimony as is non-mortgageable and exempted from all kinds of taxes, agricultural loans, indemnification for loss of crops, cooperatives for production and consumption, weather bureaus, schools of practical agriculture, experi-

mental stations for agriculture and cattle raising, irrigation, and rural roads.

The Republic shall protect the fishermen in the same manner.

Art. 48. The service of culture is an essential attribute of the State, and it shall be carried on through educational institutions linked by a system of unified teaching.

The primary school shall be free and compulsory. Teachers, professors and university professors in the State-supported schools are public officials. Academic freedom is recognized and guaranteed. The Republic shall legislate to make possible all kinds of instruction for all needy Spaniards, so that they may not find themselves limited except by aptitude and vocation. Teaching shall be laical, it shall use work as the centre of its methodological activity, and it shall be inspired by ideals of human solidarity. The rights of the churches to teach their respective doctrines in their own establishments is recognized, subject to the inspection of the State.

Art. 49. The conferring of academic and professional degrees is exclusively the function of the State, which shall establish the proofs and requirements necessary to obtain them, even in cases in which the certificates of studies come from centres of learning in autonomous regions. A law of public instruction shall determine the school age for each grade, the duration of the teaching periods, the contents of pedagogical plans, and the conditions under which teaching may be permitted in private establishments.

Art. 50. Autonomous regions may organize teaching in their respective languages in accordance with the powers granted in their charters. The study of the Castilian language is obligatory, and this language shall be used also as an instrument of teaching in the primary and secondary schools in autonomous regions. The State shall have the power of maintaining or creating in the autonomous regions educational institutions of all the grades, using the official language of the Republic. The State shall exercise supreme supervision in all national territory in order to insure compliance with the provisions contained in this article and in the two foregoing articles. The State shall provide for the dissemination of Spanish culture, establishing delegations and centres of study and instruction in foreign countries, giving preference to the Spanish-American countries.

CHAPTER IV—THE CORTES

Art. 51. The legislative power resides in the people and is exercised by means of the Cortes.

Art. 52. The Cortes is composed of representatives elected by equal, direct and secret universal suffrage.

Art. 53. All citizens over twenty-three years of age without distinction as to sex or civil status shall be eligible for membership provided that they fulfill the conditions fixed by the electoral law. Deputies, once elected, represent the nation. The legal duration of the mandate shall be four years, counting from the date on which the general elections were held. At the end of this term the Cortes shall be wholly renewed. Seventy days, at the most, after expiration of the mandate or the dissolution of the Cortes, a new election must take place. The Cortes shall convene not later than thirty days after the election. Deputies shall have the right to re-election indefinitely.

Art. 54. The law shall determine the category of offenses for which Deputies are liable as well as the penalties attached.

Art. 55. Deputies are inviolate for votes cast, and opinions expressed, in the exercise of their office.

Art. 56. The Deputies may be arrested only in *flagrante delicto*. The Cortes or the Permanent Committee must be immediately notified of the arrest. If a judge or court should find it necessary to institute a suit against a Deputy, said judge or court must communicate with the Cortes, stating the grounds for such action. If sixty days after acknowledging receipt of the said official communication the Cortes does not make a decision, it shall be understood that the letters rogatory are denied. Every arrest or indictment of a Deputy will remain without effect if the Cortes in session should make that decision or if the Permanent Committee should do likewise in the event that the sessions are suspended or the Cortes dissolved. The Cortes as well as the Permanent Committee, according to the above-mentioned cases, may resolve that the judge should suspend the proceedings until the expiration of the term of office of the Deputy involved in the judicial action. The decisions of the Permanent Committee shall be considered revoked if the Cortes after it convenes should not expressly ratify them in one of the first twenty sessions.

Art. 57. The Cortes shall have the power to determine the validity of elections and the qualifications of its elected members and to adopt regulations for its internal conduct.

Art. 58. The Cortes shall convene without the necessity of convocation on the first weekday (not a holiday) of the months of February and October of each year and shall function for at least three months in the first period and two in the second.

Art. 59. It is the right of the dissolved Cortes to convene and to recover its power as the legitimate power of the State from the moment the President fails to fulfill within the allotted time his obligation to order new elections.

Art. 60. The government and the Cortes have the initiative in respect to the laws.

Art. 61. The Cortes may authorize the government to legislate by decrees, previously agreed upon in the Council of Ministers, on matters reserved to the competence of the legislative power. These authorizations shall not have a general character, and the decrees issued

by virtue of said authorization shall be adjusted strictly on the base established by the Cortes in each specific matter. The Cortes may demand knowledge of said laws in order to pass judgment on their conformity with the bases established by it. In no case shall increased expenses be authorized in this manner.

Art. 62. The Cortes shall appoint from its membership the Permanent Committee of the Cortes, composed of a maximum of twenty-one representatives of the different political factions in proportion to their numerical strength. The President of this committee shall be whosoever is the President of the Congress. The committee shall have jurisdiction over the following: (1). Cases of the suspension of Constitutional Guarantees as provided for in Article 42; (2) matters covered by Article 80 of this Constitution relative to decree laws; (3) matters concerning arrest and indictment of Deputies; (4) other matters on which the rules of the Chamber may confer power.

Art. 63. The President of the Council and the Ministers shall have a voice in the Cortes although they may not be Deputies. Their absence from the Cortes shall not be excused when their presence is required.

Art. 64. The Cortes may agree to a vote of censure against the government or any of its Ministers. Every vote of censure must set forth the accusations and in writing, with the signatures of fifty active Deputies. This proposition must be communicated to all the Deputies and it shall not be discussed or voted upon until five days after its presentation. The government or Ministry shall not be compelled to resign if the vote of censure is not approved by an absolute majority of the Deputies constituting the Cortes. The same guarantees shall be observed in respect to any other proposition which indirectly may imply a vote of censure.

Art. 65. All the international agreements ratified by Spain and registered in the League of Nations, and having the character of international law, shall be considered a constituent part of Spanish legislation, which shall be in accord with the terms of such agreements. Once an international agreement which may affect the juridical order of the State is ratified, the government, within a brief period of time, shall present to the Cortes projects for laws necessary for the execution of its precepts. No law may be enacted contrary to said agreements unless such agreements have been denounced previously in accordance with the legal procedure established by them. Initiation of the denunciation must be sanctioned by the Cortes.

Art. 66. By means of the "referendum" the people may decide upon the laws passed by the Cortes. This may be accomplished by a petition signed by fifteen per cent of the electoral body. The Constitution and its complementary laws, the ratification of international agreements registered in the League of Nations, the regional statutes and the tributary laws shall not be subject to such action. The people shall, likewise, exercising the right of initiative, present to the Cortes the proposal of a law whenever this should be demanded by at least fifteen per cent of the electors. A special law shall regulate the proceedings and guarantees of the "referendum" and popular initiative.

CHAPTER V—PRESIDENCY OF THE REPUBLIC

Art. 67. The President of the Republic is the Chief of State and personifies the nation. The law shall determine his salary and his honors, which may not be altered during his term of office.

Art. 68. The President of the Republic shall be elected jointly by the Cortes and by Presidential electors equal to the number of Deputies. The Presidential electors shall be elected by equal, direct and secret universal suffrage, according to the procedure determined by law. The Court of Constitutional Guarantees shall have jurisdiction over questions concerning the powers of Presidential electors.

Art. 69. Only Spanish citizens over the age of forty years, enjoying full possession of their civil and political rights, shall have the right to be elected to the Presidency of the Republic.

Art. 70. The following are not eligible and may not be nominated: (a) Reserve or active military officers or those retired from service less than ten years; (b) clergymen and ministers of the various creeds, and members of religious orders; (c) members of reigning families or quondam reigning families, of any country, whatever their relationship to the heads of such families may be.

Art. 71. The term of office of the President of the Republic shall be six years. The President of the Republic shall not be re-elected until six years after the expiration of his last term of office.

Art. 72. The President of the Republic shall promise before the solemnly convened Cortes allegiance to the Republic and the Constitution. The new Presidential term shall be considered to commence on the making of said promise.

Art. 73. The election of a new President of the Republic shall take place thirty days before the expiration of the previous Presidential term.

Art. 74. In case of the temporary incapacity or absence of the President of the Republic, the president of the Cortes shall act in his stead and, in turn, shall hand over his functions to the vice president of the Cortes. In the same manner the president of the Cortes shall assume the functions of the Presidency of the Republic if this should become vacant. In such case the election of the new President, as established by Article 68, shall be ordered within eight days, and this election shall take place within thirty days after the order. For the exclusive purpose of electing the President of the

Republic, the Cortes, even though dissolved, shall retain its powers.

Art. 75. The President of the Republic shall appoint and dismiss freely the Premier, and, on the proposal of the latter, the Ministers. He shall be forced to dismiss them if the Cortes should refuse explicitly to accord them its confidence.

Art. 76. The President of the Republic shall also have the power to: (a) Declare war, in accordance with the requirements of the article following, and make peace; (b) appoint to military and civil positions and confer professional titles in accordance with the laws and regulations; (c) authorize with his signature decrees countersigned by the proper Minister, and previously agreed to by the government. The President has the power to have these decrees submitted to the Cortes if, in his opinion, such decrees conflict with any of the existing laws; (d) order urgent measures necessary for the defense of the integrity or security of the nation, informing the Cortes immediately; (e) negotiate, sign and ratify international treaties and agreements on any matter and see to their compliance throughout the national territory. Treaties of political or commercial character, and treaties which involve certain obligations on the National Treasury or on the citizens of Spain, and, in general, all those treaties which require for their execution measures of a legislative character, shall bind the nation only if they have been approved by the Cortes. The proposed agreements of the International Labor Organization shall be submitted to the Cortes within a period of one year, or, under exceptional circumstances, eighteen months from the date of the closing of the conference at which they have been adopted. Once they are approved by the Cortes they shall be ratified by the President of the Republic and registered with the League of Nations. Other international treaties and agreements ratified by Spain shall also be registered with the League of Nations, in accordance with Article 18 of the pact of the League, for the purposes contained therein. Secret treaties and agreements or secret clauses of any treaties or agreements shall not bind the nation.

Art. 77. The President of the Republic shall not have the power to sign a declaration of war except subject to the conditions prescribed in the pact of the League of Nations and only after exhaustion of the possibilities of non-belligerent defensive measures and judicial proceedings of conciliation and arbitration established by the international covenants registered in the League of Nations and to which Spain is a party. If the nation should be bound with other countries by special treaties of conciliation and arbitration, these treaties shall be followed in so far as they do not conflict with general covenants. If the foregoing requirements are fulfilled, the President of the Republic shall be authorized by a law to sign a declaration of war.

Art. 78. The President of the Republic may not give notice of Spanish retirement from the League of Nations except by making the announcement in accordance with the procedure required by the pact of that League and after previous authorization by the Cortes conferred in a special law passed by an absolute majority.

Art. 79. The President of the Republic, upon request of the government, shall issue any necessary decrees, rulings and instructions for the execution of laws.

Art. 80. When the Cortes is not in session, the President, at the request of and by the unanimous agreement of the government and with the approval of two-thirds of the Permanent Committee shall have the power, when exceptional cases may demand urgent decision or when the defense of the Republic is in question, to legislate by decree concerning matters reserved to the competence of the Cortes. The decrees thus issued shall have only provisional character and their operation shall be limited to the time that the Cortes shall take to reach a solution or legislate concerning the matter.

Art. 81. The President of the Republic may convoke the Cortes for an extraordinary session whenever he deems it desirable. He may suspend ordinary sessions of the Cortes in each legislative term for only one month in the first period and fifteen days in the second, provided he does not fail to comply with the rules prescribed in Article 58. The President may dissolve the Cortes as often as twice during his term of office should he consider it necessary, subject to the following conditions: (a) That the reasons for the decree be set forth; (b) that the decree of dissolution be accompanied by the ordering of new elections to be held within sixty days. In case of a second dissolution, the first act of the Cortes shall be to examine and decide upon the necessity for the decree of dissolution of the previous Cortes. The unfavorable vote of an absolute majority of the Cortes shall carry with it the removal of the President.

Art. 82. The President may be removed before the expiration of his term of office. The initiative for the removal shall be considered on the proposal of three-fifths of the members of the Cortes and from this moment the President may not exercise his functions. Within a term of eight days the élection of Presidential electors shall be ordered in the manner provided for the election of Presidents. The Presidential electors, in conjunction with the Cortes, shall decide by an absolute majority on the proposal regarding the President. If the Cortes should vote against the removal of the President, the Cortes shall be dissolved. Should the contrary be the case, this same Cortes shall elect the new President.

Art. 83. The President shall promulgate the laws sanctioned by the Cortes within a period of fifteen days from the date on which the sanction has been officially communicated. If the law should be declared urgent by two-thirds of the votes cast by the Cortes, the President shall proceed to its immediate promulgation. Before promulgating laws not declared

urgent, the President may request the Cortes by means of a detailed message to submit them for further deliberation. If they should be approved by a majority of two-thirds of those voting, the President shall be obliged to promulgate them.

Art. 84. All acts and mandates of the President not countersigned by a Minister shall be void and without effect. The execution of the said mandates shall involve penal responsibility. Ministers who countersign acts or mandates of the President of the Republic assume full civil and political responsibility and they share in the criminal responsibility that may be derived from them.

Art. 85. The President of the Republic is criminally responsible for any delinquent infraction of his constitutional duties. By a resolution of three-fifths of all its members, the Cortes shall decide whether it shall bring accusation against the President of the Republic before the Court of Constitutional Guarantees. If the accusation should be supported by the Cortes, the court shall decide whether to admit it or not. In the event that it is confirmed, the President shall be at once removed, a new election shall proceed, and the case shall follow its course. If the accusation should not be admitted, the Cortes shall be dissolved and a new election ordered. A law of constitutional character shall determine the proceedings to fix the criminal responsibility of the President of the Republic.

CHAPTER VI—GOVERNMENT

Art. 86. The president of the Council and the Ministers constitute the government.

Art. 87. The president of the Council of Ministers directs and represents the general policy of the government. He is affected by the same qualifications set forth in Article 70 in the case of the President of the Republic. The Ministers are responsible for the supreme direction and conduct of public services assigned to the various Ministerial departments.

Art. 88. The President of the Republic, on the proposal of the president of the Council, may appoint one or more Ministers without portfolio.

Art. 89. The members of the government shall have the salary which the Cortes may determine. While they carry out their functions they shall not be engaged in any profession, nor shall they intervene directly or indirectly in the direction or conduct of any private enterprise or association.

Art. 90. It falls to the duty of the Council of Ministers, especially, to elaborate the projects of the laws to be submitted to the Cortes, to issue decrees, to exercise the regulating power, and to deliberate on all matters of public interest.

Art. 91. The members of the Council are responsible before the Cortes, collectively, for the policy of the government; and, individually, for their own Ministerial conduct.

Art. 92. The president of the Council and the Ministers also are individually responsible, civilly and criminally, for infractions of the Constitution and of the laws. In case of delinquency, the Cortes shall carry the accusation before the Court of Constitutional Guarantees in the form determined by law.

Art. 93. A special law shall regulate the creation and functioning of accessory organs and the economic arrangement of the administration of the government and the Cortes. Among these organs shall be a Supreme Advisory Board of the Republic concerned with matters of government and administration whose composition, powers and functions shall be regulated by the above-mentioned law.

CHAPTER VII—JUSTICE

Art. 94. Justice shall be administered in the name of the State. The Republic shall assure gratuitous justice to economically needy litigants. Judges are independent in their functions. They are subject only to the law.

Art. 95. The administration of justice shall cover all existing jurisdictions which shall be regulated by law. Penal military jurisdiction shall be limited to military crime, to the armed service, and to the discipline of all military academies. It may not establish any privilege or exemption whatsoever to persons or places, excepting in case of a state of war, in accordance with the law of public order. All civil and military courts of honor are abolished.

Art. 96. The president of the Supreme Court shall be appointed by the President of the Republic on the proposal of an assembly constituted in the form determined by law. The only requirements for the office of president of the Supreme Court shall be the following: to be a Spaniard over 40 years of age and to be licensed in law. He shall be governed by the same qualifications established for other judicial officers. The duration of his judgeship shall be ten years.

Art. 97. The president of the Supreme Court shall have, besides his own powers, the following: (a) To prepare and propose to the Ministry and to the Parliamentary Commission of Justice laws of judicial reform and laws of the codes of procedure; (b) to propose to the Minister, with the agreement of the Government Court and the juridical counselors appointed by law but not practising law, promotions and transfers of judges, magistrates and prosecutors. The president of the Supreme Court and the Attorney General shall be permanent members, with voice and vote, of the Commission of Justice in the Cortes. This right does not imply a chair in the Cortes.

Art. 98. The judges and magistrates shall not be retired, dismissed or suspended in their functions, nor transferred, except in obedience to the laws that shall contain the necessary guarantees for the effective independence of the courts.

Art. 99. The civil and criminal responsibility which judges, magistrates and prosecutors may incur in the exercise of their functions or in conjunction with them shall be fixed before the Supreme Court with the intervention of a special jury whose appointment, powers and independence shall be regulated by law. The civil and criminal responsibility of municipal judges and prosecutors not belonging to the judicial profession is excepted. The criminal responsibility of the president and magistrates of the Supreme Court and the Attorney General of the Republic shall be fixed by the Court of Constitutional Guarantees.

Art. 100. If a Court of Justice should find it necessary to apply a law contrary to the Constitution it shall suspend proceedings and consult with the Court of Constitutional Guarantees.

Art. 101. The law shall establish the recourse against the illegality of acts or dispositions emanating from the administration in the exercise of its regulating power and against its discretionary acts resulting from an excess or deviation of power.

Art. 102. Amnesties may be granted only by the Cortes. General pardons shall not be granted. The Supreme Court shall grant individual pardons on the proposal of the judge, the prosecutor, the Board of Prisons or on petition of the party. In offenses of extreme gravity the President of the Republic may grant pardon after receiving information concerning the case from the Supreme Court and on the recommendation of the responsible governing bodies.

Art. 103. The people shall participate in the administration of justice by means of the institution of the jury, whose organization and function shall be the object of a special law.

Art. 104. The Ministry of Justice shall see to the exact performance of the laws in the social interest. It shall constitute a single body and it shall have the same guarantees of independence as the administration of justice.

Art. 105. The law shall organize emergency courts to insure the right of protection of individual guarantees.

Art. 106. Every Spaniard has the right to be indemnified for losses caused him by judicial error or offense of judicial officers in the exercise of their offices, as determined by law. The State shall be responsible for these indemnifications.

CHAPTER VIII—PUBLIC TREASURY

Art. 107. The planning of the budget is under the jurisdiction of the government and must be approved by the Cortes. The government shall present to the Cortes during the first two weeks of October of each year the proposed budget of the State for the following fiscal year. The existing budget shall be in force for one year. If the budget cannot be voted upon before the first day of the following fiscal year the budget in force shall be extended for three months at a time. There shall not be more than four extensions.

Art. 108. The Cortes shall not present amendments to articles or chapters of the budget plan relating to the increase of credits unless they are signed by one-tenth of its members. Its approval shall require the favorable vote of the absolute majority of the Cortes.

Art. 109. There may be only one budget for each fiscal year. Each budget shall include all incomes and expenses of ordinary character. An extraordinary budget may be authorized if, in the judgment of the absolute majority of the Cortes, the necessity for so doing is peremptory. The accounts of the State shall be rendered annually and examined by the Court of Accounts of the Republic. The latter, without prejudice to the effectiveness of its findings, shall communicate to the Cortes the Ministerial infractions or responsibilities which, in its judgment, have been incurred.

Art. 110. The general budget shall be executed only after it has been approved by the vote of the Cortes, and it shall not require for its enforcement promulgation by the President of the Republic.

Art. 111. The budget shall determine the floating debt that the government may issue during the fiscal year. This debt shall be terminated during the legal life of the budget.

Art. 112. Except as provided by the preceding article, every law authorizing the government to utilize borrowed money must include the conditions of the loan, the nominal standard of interest and, in all events, the amortization of the debt. The authorizations to the government in this respect shall be limited, should the Cortes deem it desirable, to the conditions and character of the negotiation.

Art. 113. The budget shall not contain any authorization permitting the government to spend beyond the maximum amount named therein except in case of war; therefore, there shall exist no so-called expansible loans.

Art. 114. The specified credit for expenses of the State represents the maximum amounts assigned to each service. These amounts may not be altered or exceeded by the government, except that, if the Cortes should not be in session, the government may grant under its responsibility credits or supplementary credits in each of the following cases: (a) War or its prevention; (b) grave disturbances of public order or imminent danger of their occurrence; (c) public calamities; (d) international engagements. Special laws shall determine the procedure of these loans.

Art. 115. No one shall be obliged to pay any tax not voted by the Cortes or by the bodies legally authorized to impose them. The exaction of taxes, imposts and assessments and the realization of sales and operations of credit shall be understood to be authorized in accordance with the laws in force, but these shall not be required or carried out without previous

authorization in the statement of revenues of the budget. Nevertheless, all administrative operations previously established in the laws shall be understood to be authorized.

Art. 116. The law of budgets, should it be considered necessary, shall contain only the rules applicable to the execution of the budget to which they refer. Its rules shall be in force only during the existence of the budget in question.

Art. 117. In order to dispose of the property of the State and to borrow money on the credit of the nation, it shall be necessary for the government to be so authorized by law. Every operation that violates this precept shall be null and it shall not bind the State either in its amortization or payment of interest.

Art. 118. The public debt shall be safeguarded by the State. The credits necessary to satisfy the payment of interest and principal shall always be understood to be included in the statement of expenses of the budget. Such credits may not be the object of discussion as long as they strictly comply with the laws which authorize their issuance. Under the same circumstances, identical guarantees shall be enjoyed by any operation in general, implying directly or indirectly the economic responsibility of the treasury.

Art. 119. Every law establishing amortization funds shall be adjusted to the following rules: (1) It shall authorize freedom of negotiation in connection with such funds; (2) it shall designate concretely and specifically the income with which it shall be endowed. Neither the income nor the capital of the fund shall be applied to any other purpose of the State; (3) it shall fix the debt or debts whose amortization comes under their jurisdiction. The annual budget of the amortization funds shall require for its execution the approval of the Minister of the Treasury. The accounts shall be submitted to the Court of Accounts of the Republic and the Cortes shall be informed of the result of the examination.

Art. 120. The Court of Accounts of the Republic is the financial organ of economic control. This court shall be directly under the supervision of the Cortes, under whose delegation it shall exercise its functions of the examination and final approval of the accounts of the State. A special law shall regulate its organization, competence and functions. Its conflicts with other organizations shall be submitted to the decision of the Court of Constitutional Guarantees.

CHAPTER IX—GUARANTEES AND AMENDMENTS OF THE CONSTITUTION

Art. 121. A Court of Constitutional Guarantees is established with jurisdiction over the entire territory of the Republic, having within its competence the following: (a) Appeals concerning unconstitutionality of the laws; (b) appeals concerning individual guarantees when complaint before other authorities has been ineffective; (c) conflicts concerning legislative competence, or conflicts between the State and autonomous regions, and those between autonomous regions; (d) the review and approval of the powers of the presidential electors, who, together with the Cortes, shall elect the President of the Republic; (e) criminal responsibility of the President of the Republic, president of the Council, and Ministers; (f) criminal responsibility of the President and magistrates of the Supreme Court and of the Attorney General.

Art. 122. This Court shall be composed of: A president designated by the Cortes, who may, or may not, be a deputy; the president of the Supreme Advisory Board of the Republic, referred to in Article 93; the president of the Court of Accounts of the Republic; two Deputies of the Cortes freely elected by the Cortes; a representative of each of the Spanish regions, elected in the form determined by law; two members appointed through election by the schools of law of the Republic; four professors of the faculty of law appointed in the same manner from among all the faculties of Spain.

Art. 123. The following are competent to appeal to the Court of Constitutional Guarantees: (1) The Ministry of Finance; (2) the judges and the Courts, as specified in Article 100; (3) the Government of the Republic; (4) the Spanish regions; (5) every person, individual or collective, even though not directly wronged.

Art. 124. A special organic law voted by this Cortes shall establish the immunities and prerogatives of the members of the Court and the extension and effect of the appeals referred to in Article 121.

Art. 125. The Constitution may be amended: (a) On proposal of the Government; (b) on proposal of one-fourth of the members of Parliament. In either of these cases the proposal shall indicate concretely the article or articles that are to be suppressed, amended or added to. It shall follow the procedure specified by a law, and the vote for the reform shall require two-thirds of the Deputies, in the exercise of their office, during the first four years of the life of the Constitution and an absolute majority thereafter. Once the necessity for reform is agreed upon, the Cortes shall be automatically dissolved and a new election shall be held within sixty days. The Cortes thus elected, functioning as a Constituent Assembly, shall decide upon the proposed amendment and it shall act then as the ordinary Cortes.

TEMPORARY DISPOSITION

The present Constituent Assembly shall elect by secret vote the first President of the Republic. For his election it shall require an absolute majority of the votes of the members in the exercise of their office. If none of the candidates shall obtain an absolute majority of votes, a new vote shall proceed, and the candidate who obtains the majority of votes shall be proclaimed elected.



T THE TOP OF THE HILL



ı LONE figure in overalls urveys the fields of his ıbor. Freshly planted ows point their even nes around a gently ising hill. Seemingly he world and its people re far away. But this nan is not alone!

His home is at the top of the distant hill. ınd in his home is a telephone. Eighty-five aillion miles of wire lead to it. His call is a ommand to one or more of several hundred housand employees. Day or night he may all, through the Bell System, any one of ıearly twenty million other telephones in his country and an additional twelve nillion abroad.

And yet, like you, he pays but a small um for a service that is frequently price- ess in value. The presence of the telephone, ready for instant use, costs only a few cents a day. With your telephone, you are never alone. It is an investment in companionship, convenience, and security. Through it you can project your personality to the faraway places of the earth, or bring familiar voices to the friendliness of your fireside.

Undoubtedly a great factor in the continued progress and improvement of telephone service is the intangible but real spirit of service that has become a tradition in the telephone business. This spirit expresses itself daily and in any emergency. And behind the army engaged in giving service is the pioneering help of a regiment of five thousand scientists and technical men, engaged in the sole task of working for improvement. This group devotes itself exclusively to seeking ways and means of making your telephone service constantly better and better.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY